**Road to growth**

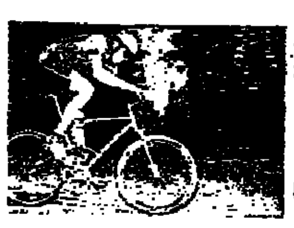
*Europe's carmakers in a higher gear*

Page 11

**Falling trend**

*Why east Germans stay childless*

Page 10



**Biking boom**

*Small shops fire a revolution*

Page 8

TOMORROW'S **Weekend FT**

*In Russia, rape victims suffer [illegible]*


# FINANCIAL TIMES

Europe's Business Newspaper FRIDAY AUGUST 12 1994 D8523A

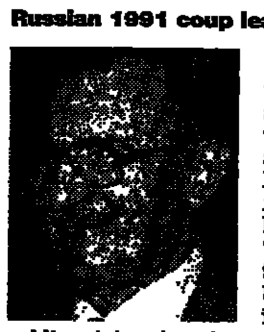

## Thomas Cook buys rival travellers cheque supplier

Thomas Cook, the world's second largest supplier of travellers cheques after American Express, has acquired Barclays Bank's travellers cheque subsidiary, the third biggest supplier. The purchase increases Thomas Cook's share of the $54bn travellers cheque market from 17 per cent to 30 per cent, helping it to close the gap with American Express, which has 44 per cent of the world market. Neither side would disclose how much Thomas Cook was paying for the Barclays' company, Interpayment Services, the world's largest issuer of Visa traveller's cheques. Page 12

**US nears telecoms reform:** The US neared sweeping changes to its telecommunications law, after the Senate commerce committee agreed to a bill that would allow long-distance and local telephone companies, as well as cable television companies, to enter one another's markets. Page 12

**Reed Elsevier,** Anglo-Dutch information and publishing group, said it was considering a bid for either Ziff Communications, the world's largest publisher of computer magazines, or Mead Data Central – electronic information arm of US paper group Mead Corporation. Page 13; Lex, Page 12

**Russian 1991 coup leader acquitted**



Valentin Varenikov (left), former Soviet deputy minister of defence and one of the leaders of the failed 1991 coup, was acquitted of treason by a Russian court. The court ruled Gen Varenikov and his colleagues had been "guided exclusively by the state interests of the USSR". The verdict is an indication of the shift in public opinion since August 1991, when Muscovites took to the streets to oppose the coup. Page 2

**Energy costs lift producer price index:** The US producer price index rose 0.5 per cent in July, its largest increase in 15 months. The advance was almost entirely due to higher energy and coffee prices, and the underlying rate of US inflation at the wholesale level remained modest. Page 4

**Giordano,** the fashion retailer whose Beijing store was closed by China's Foreign Trade and Economic Commission on Monday, announced the resignation of non-executive chairman Jimmy Lai. Page 3

**Cross-border deals rise:** Mergers and acquisitions of companies across international borders reached $77bn in the first half of 1994, a 10 per cent increase on the second half of last year but still below the first half of 1993, a report said. Page 4

**Most companies unprepared for Aids:** Most multinational companies will find themselves inadequately prepared if an employee is diagnosed HIV positive, according to a study presented at the 10th international conference on Aids. Page 12

**Moscow rail accident kills 21:** At least 21 people were killed and 80 injured when a commuter train carrying local passengers ran into five derailed freight wagons in south-west Russia, near the border with Ukraine.

**Royal Dutch/Shell** announced a 7 per cent drop in second quarter profits on a replacement cost basis, but sought to offset the news with encouraging comments on the outlook for oil prices this year. Page 13; Lex, Page 12

**Japanese electoral reforms:** A Japanese advisory panel submitted a draft to prime minister Tomiichi Murayama for redrawing constituencies for the lower house, one of the main pillars of a political reform package that has dominated Tokyo politics in recent years. Page 3

**Senate backs community banks:** The Clinton administration completed the first item on its banking legislation agenda with a Senate vote to set up a $382m fund to spur the creation of local development banks and partnerships in economically distressed communities. Page 4

**Disabled jobs threatened:** The jobs of hundreds of disabled people in Britain may be under threat following a decision by employment secretary Michael Portillo to comply strictly with a European Union directive on competition rules. Page 5

**Sri Lankan business fears poll upset:** Sri Lankan businessmen are bracing themselves for the possible defeat in next week's general election of the ruling United National party which has governed the country for 17 years. Page 3

**■ STOCK MARKET INDICES**

| | | |
|---|---|---|
| FT-SE 100: | 3,138.2 | (-28.8) |
| Yield | 4.01 | |
| FT-SE Eurotrack 100 | 1,376.03 | (-8.32) |
| FT-SE-A All-Share | 1,576.64 | (-0.6%) |
| Nikkei | 20,821.38 | (+51.11) |
| New York: lunchtime | | |
| Dow Jones Ind Ave | 3,753.81 | (-12.95) |
| S&P Composite | 458.84 | (-1.46) |

**■ US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds: | 4 7/16% |
| 3-mo Treas Bills: Yld | 4.46% |
| Long Bond | 83 9/32 |
| Yield | 7.63% |

**■ LONDON MONEY**

| | | |
|---|---|---|
| 3-mo Interbank | 5 11/16% | (5 5/8%) |
| Liffe long gilt future: | Sep 100 11/32 | (Sep 102 3/32) |

**■ NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent 15-day (Sep) | $17.555 | (17.63) |

**■ GOLD**

| | | |
|---|---|---|
| New York Comex | $384.0 | (382.6) |
| London | $377.2 | (378.4) |

**■ STERLING**

| | | |
|---|---|---|
| New York lunchtime: | | |
| $ | 1.5495 | |
| London: | | |
| $ | 1.5328 | (1.5404) |
| DM | 2.4328 | (2.4253) |
| FFr | 8.3307 | (8.3095) |
| SFr | 2.0495 | (2.0429) |
| Y | 154.984 | (155.814) |
| £ Index | 79.4 | (79.3) |

**■ DOLLAR**

| | | |
|---|---|---|
| New York lunchtime: | | |
| DM | 1.56385 | |
| FFr | 5.3655 | |
| SFr | 1.3185 | |
| Y | 100.335 | |
| London: | | |
| DM | 1.5872 | (1.5745) |
| FFr | 5.4351 | (5.3945) |
| SFr | 1.3371 | (1.3263) |
| Y | 101.115 | (101.155) |
| $ Index | 63.8 | (63.5) |

Tokyo close Y 101.3

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Austria | Sch32 | Greece | Dr350 | Lux | LFr65 | Qatar | QR13.00 |
| Bahrain | Din1.250 | Hong Kong | HK$16 | Malta | Lm0.60 | S.Arabia | SR11 |
| Belgium | BFr65 | Hungary | Ft185 | Morocco | MDh16 | Singapore | S$4.30 |
| Bulgaria | Lw60.00 | Iceland | IKr215 | Neth | Fl 4.00 | Slovak Rp | KSL50 |
| Cyprus | C£1.10 | India | Rs60 | Nigeria | Naira50 | South Africa | R12.00 |
| Czech Rp | CZK50 | Israel | Shk5.90 | Norway | NKr17.00 | Spain | Pta225 |
| Denmark | DKr16 | Italy | L3000 | Oman | OR1.50 | Sweden | SKr16 |
| Egypt | E£5.00 | Japan | Y500 | Pakistan | Rs40 | Switz | SFr3.30 |
| Finland | FM14 | Jordan | JD1.50 | Philippines | Pes50 | Syria | S£50.00 |
| France | FFr9.50 | Kuwait | Fils.625 | Poland | Zl 32,000 | Tunisia | Din1.600 |
| Germany | DM3.50 | Lebanon | US$1.50 | Portugal(mainland) Esc225 | | Turkey | L30000 |
| | | | | | | UAE | Dh12.00 |

# Rate rises throw markets into turmoil

## Bond prices react badly to moves by Sweden and Italy

By Philip Coggan, Philip Gawith and Antonia Sharpe in London



Surprise interest rate rises in Italy and Sweden threw European financial markets into turmoil yesterday and triggered speculation that other continental central banks might follow suit.

The Bank of Italy raised two of its short-term rates, with the key discount rate increasing from 7 per cent to 7.5 per cent. In Sweden, the Riksbank increased its lending rate to banks from 7.5 per cent to 8 per cent, and the important money market repurchase rate from 6.92 per cent to 7.2 per cent.

Although the moves by the two central banks were widely seen to be motivated by domestic concerns, they sent shock waves through European bond markets because some investors regarded them as confirmation that continental interest rates were on the rise.

Markets are also nervous ahead of next week's meeting of the US Federal Reserve's open market committee, which many expect to lead to an increase in US interest rates.

The Bank of Italy also increased its Lombard, or fixed-term advances, rate from 8 per cent to 8.5 per cent, citing the need to defend the lira from speculative attack. However, the initial effect of the change was counter-productive. Yesterday evening, the lira was quoted at a record low of L1,016.50 against the D-Mark, compared with a London close of L1,005 10 minutes before the rate move was announced.

The Riksbank said its move was designed to counter inflationary pressures. However, the foreign exchange markets were unimpressed, saying that both central banks had failed to address the main issue worrying the markets – the large fiscal deficits of the two countries.

The Swedish krona was quoted in London at SKr4.987 against the D-Mark, off a low of SKr5 earlier in the day, but well below Wednesday's close of SKr4.940.

Ms Alison Cottrell, international economist at Midland Global Markets, stressed the detrimental impact of the moves. "Putting up rates doesn't make your currency stronger ... and it will be harder for the governments to fund," she said.

She cited the case of the the Italian national debt, much of which is financed on a short-term basis. Yesterday's change would add L3,000bn (£1.2bn) to the cost of debt service in the first year, she added.

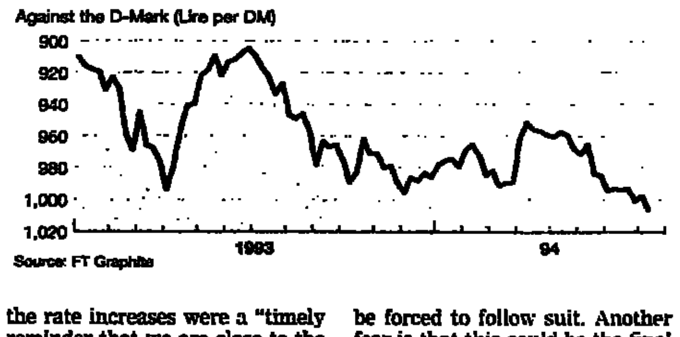
European financial markets were surprised by the changes although Mr Keith Skeoch, chief economist at James Capel, said the rate increases were a "timely reminder that we are close to the turning point in world interest rates".

Mr Sanjay Joshi of Daiwa Europe said that markets reacted so badly because of "the fear that some of the smaller central banks, such as in Spain, Portugal, Belgium and Denmark will be forced to follow suit. Another fear is that this could be the final stage of a bond bear market".

Bond prices, which tend to move in the opposite direction to interest rates, fell sharply. In Italy, 10-year government bonds lost 2.6 points, pushing the yield


Continued on Page 12


**Lira reaches all time low**




Source: FT Graphite

## World Cup helps Philips to treble its profits

By Ronald van de Krol in Eindhoven

Philips, the Dutch electronics group, more than trebled its profits in the second quarter of 1994, beating even the most optimistic of analysts' forecasts.

The group also predicted a substantial increase in full-year earnings now that it has finally begun to feel the effects of economic recovery in some European countries.

Commenting on results so far in 1994, Philips said, "We are rather more encouraged than we were six months ago."

Net profit surged to Fl 402m ($223m) from a net result before extraordinary items of Fl 117m in 1993. The latest results take first-half net profit before extraordinaries to Fl 662m, a sharp increase from Fl 220m last year. Analysts had been expecting a doubling of results in the second quarter.

Turnover was up 6 per cent in the quarter, pushing first-half turnover up three per cent to Fl 27.96bn. Sales volume in the first six months rose by 8 per cent, easily outstripping an average 2 per cent decline in selling prices.

"Some of this growth comes from increased sales of televisions, stimulated by the World Cup in the USA, and is probably not sustainable," Mr Dudley Eustace, finance director, said.

Although Philips would give no details of television set turnover, the soccer-inspired sales are thought to be the main reason behind the 14 per cent increase in consumer electronics turnover in April-June.

Mr Eustace noted the decline of the dollar, which is negative for Philips, was another reason why the strong second-quarter and first-half performances could probably not be matched in the rest of 1994.

Philips's shares jumped to a new 12-month high of Fl 58.50 on the news but fell back slightly later in the day to close at Fl 57.80, a rise of Fl 1.90, or 3.3 per cent, from Wednesday's finish.

Mr Eustace said the heavy restructuring of the early 1990s was paying off, enabling Philips to turn its attention more fully to "revitalising" the company. On Wednesday, for example, it announced a Fl 500m investment in its Dutch semiconductor plant, representing the single biggest investment made since the company ran into severe difficulties in 1990.

In the first half, the semiconductors and components sector saw operating profit nearly double to Fl 750m from Fl 437m.

Consumer electronics swung into an operating profit of Fl211m from a loss of Fl 113m, reflecting in part a halving of losses at Grundig in Germany.


Reuter

## Rwandan aid troops attacked in Goma

Demonstrators set up roadblocks in Goma, Zaire, yesterday, saying they were fed up with thieving by some soldiers sent to help in the Rwandan refugee crisis. At least six tractor-trailers bringing relief supplies to nearby refugee camps were stranded at the border because they were unable to navigate through the barricades.

Some refugees joined in as about 5,000 people filled the streets, throwing stones and taunting police after a soldier shot and killed a local man who had been changing money on the black market.

Goma has become increasingly tense since the refugees arrived in mid-July. Most refugees have been moved to camps away from Goma but thousands still live on the streets of the town.

## Managers deepen Russia debt crisis

By Chrystia Freeland in Moscow

Corrupt factory managers are exacerbating the debt among Russian business enterprises which is threatening to paralyse the country's economy, a government report has warned.

The mountain of debt, now estimated at nearly $15bn, has built up as businesses fail to pay suppliers, creating a knock-on effect that has left some companies unable to pay their employees.

The debt levels are seen as so dangerous that a government commission was convened last week to address the problem and is reporting weekly to the president and prime minister.

The government report, written by Mr Petr Karpov, deputy director of Russia's Federal Bankruptcy Agency, and based on a detailed financial study of 15 Russian enterprises, alleges that a small number of corrupt factory directors are helping to undermine Russia's financial system.

The report names specific Russian enterprises and accuses some factory directors of shipping goods, without receiving payment, in exchange for kickbacks.

"Immoral business is now a widely spread norm of economic behaviour, because it is profitable," the report concludes. It urges the government to curb these corrupt business practices by forcing loss-making companies into bankruptcy.

Inter-enterprise debt poses one of today's biggest challenges for the Russian government and is a test of Moscow's commitment to economic reforms.

The arrears, which have worsened since the Russian government tightened credit after its spring agreement with the International Monetary Fund, are affecting even the most sensitive sectors of the Russian economy, including the nuclear power industry and the ministry of defence.

Factory directors, who have been hard hit by the tight fiscal and monetary policies introduced by the government this spring, have allowed debt to accumulate, and avoided a painful restructuring.

But this pyramid of arrears is now becoming shakier as workers, like the strikers at the Smolensk nuclear power station in western Russia, are beginning to protest at delays of up to four months in payment of wages. The government is facing a choice between bailing out factories and perhaps triggering a new wave of inflation, or taking the political risk of forcing bankruptcies.


Tangled mesh of corporate debt, Page 2


## Clinton threat to urge end of Bosnia arms ban

By Jurek Martin in Washington and Matthew Kaminski in London

President Bill Clinton yesterday set a deadline of October 15 for Bosnian Serb acceptance of an international peace plan or the US would urge the United Nations Security Council to lift the arms embargo on Bosnia.

The administration's purpose appears more aimed at heading off congressional moves to force the president into a unilateral lifting of the arms embargo than to put extra pressure on the Bosnian Serbs.

The president's proposal in a letter to Congress came just before the US Senate was due to consider a separate proposal to order Mr Clinton to lift US participation in the embargo by November 15.

"If by October 15 the Bosnian Serbs have not accepted the Contact Group's proposal of July 6, 1994, it would be my intention to introduce formally and support a resolution at the UN Security Council to terminate the arms embargo," Mr Clinton wrote to Senator Sam Nunn, chairman of the armed services committee.

The Bosnian Serbs have refused to accept a peace map drawn up by the so-called Contact Group, comprising the US, the UK, France, Germany and Russia, which has led the negotiations. The map roughly divides Bosnia-Hercegovina into equal shares between the Serbs and a Croat-Moslem federation.

Meanwhile, Russia yesterday called for the lifting of the economic embargo on Serbia, which has cut links with the Bosnian Serbs.

A foreign ministry spokesman said the sanctions are now "illogical and counterproductive", as Serbia appears to have kept its word on the blockade.

The president's letter to Senator Nunn states bluntly US concerns about the impact of unilateral action to lift the arms embargo, according to extracts made available to the Washington Post. It states that US relations with its allies would be "seriously strained," co-operation with Russia put in jeopardy and the likelihood of US military


Continued on Page 12




CONTENTS





No 32,443 Week No 32 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

# Swedish rate rises surprise markets

By Hugh Carnegy in Stockholm

Sweden's central bank yesterday announced an unexpected increase in interest rates, jolting Swedish financial markets, surprising markets elsewhere and heightening political tensions ahead of next month's general election.

The move, meant to stop signs of resurgent inflation, was the first increase in official interest rates since the krona was floated during a currency crisis in November 1992.

It ended a steady downward trend that has helped Sweden emerge from its deepest recession for 50 years. The Riksbank raised two of its three key rates. It increased its repurchase rate, the main short-term interest rate, by 28 basis point to 7.20 per cent and its lending rate by 50 points to 8.00 per cent. It left its deposit rate unchanged at 6.00 per cent.

Swedish markets, already nervous over the threat to economic recovery posed by the perilous state of public finances and uncertainty surrounding government policy after the election, reacted with alarm. The Stockholm stock exchange general index fell by 1.89 per cent, while market interest rates rose sharply. The yield on five-year government bonds jumped by more than 50 basis points past 10.90 per cent and the yield on 12-month treasury bills rose by 80 basis points to 9.60 per cent.

Mr Urban Bäckström, the Riksbank governor, said the increase was needed to counter a tendency towards higher inflation during the spring and summer as the krona weakened, the international economy strengthened and Swedish industry approached capacity ceilings.

The consumer price index showed an annual rise of 2.6 per cent in June, up from 1.8 per cent in March, threatening the Riksbank's long-term target ceiling of 3 per cent. "Inflation must not be allowed to re-emerge," Mr Bäckström said. "This view has broad-based support. The Swedish economy has paid a considerable price for the inflation of the 1970s and 1980s." He also cited "uncertainty related to the problems surrounding the public finances".

Economists in Stockholm said the rise appeared to be intended as a strong signal to political parties to enact tougher policies to deal with the big budget deficit and fast-growing public debt.

With government debt soon due to exceed 100 per cent of gross national product, Swedish market interest rates had already pushed up well ahead of European rates, leading the government to lower its GNP growth forecast for 1995 from 3 per cent to 2 per cent.

The centre-right coalition sought to blame the interest rate reverse on the imprecise economic policy proposals of the opposition Social Democratic party, which holds a lead in the opinion polls ahead of the September 18 election. "The markets have reacted with concern because they do not know what will happen if the Social Democrats win the election. Therefore interest rate increases are necessary to show that high inflation will not be acceptable," said Mr Bo Lundgren, the minister for taxation.

Mr Göran Persson, Social Democratic shadow finance minister, responded that the Riksbank measure "is the final rejection of the incumbent government's policies". But he refused to commit the Social Democrats, who have emphasised tax increases as well as savings to narrow the budget deficit, to greater cuts in public spending, which now accounts for some 70 per cent of GNP.

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## Italian central bank moves as lira hit by political uncertainties

# Discount rate increases to 7.5%

By Andrew Hill in Milan

The Italian central bank unexpectedly raised its discount rate yesterday in defence of the lira, which has been hit by political uncertainty.

The half-point increase to 7.5 per cent, the first since September 1992, will take effect today. The Bank of Italy said the move was intended to prompt "a return to expectations coherent with the general economic conditions", end speculative activity and "avoid the build-up of inflationary tensions".

But the immediate effect of the rate rise appeared to be negative. The lira weakened against the strong German currency, reaching a new record of L1,016 against the D-Mark in trading after the early-evening announcement.

Evidence of rifts in the coalition government of Mr Silvio Berlusconi, following a series of political misjudgments, have also unsettled investors in Italian bonds and equities, in spite of attempts by the prime minister's supporters to dispel tension.

Yesterday the Christian Democrat Centre, smallest member of the Italian coalition, added its criticism of Mr Berlusconi to that of the populist Northern League, headed by Mr Umberto Bossi.

Arriving in Sardinia for a brief break on Wednesday night, Mr Berlusconi told Italian television he could not take a full vacation because "unfortunately, as you know, there are many people pulling against the interests of the country".

Yesterday Mr Antonio Tajani, the prime minister's spokesman, said on a radio phone-in programme that "attacks on the government are first and foremost attacks on the country. These midsummer controversies within the majority can't hide today's figures from Istat [the national statistics office] showing a strong industrial recovery."

The Istat figures showed that Italian industrial production grew by 5.3 per cent in June, compared with the same month of 1993, a particularly gloomy year for Italian companies. In the first six months of the year the production increase was calculated at 2.6 per cent.

In spite of the production figures, however, the Comit index of Italian stocks closed at 669.17, down 5.5 per cent over the last week. Analysts believe shares may suffer further today in the light of the Bank of Italy's announcement, which came after the market closed.

In the longer term, the rise in interest rates will also increase the cost of servicing Italy's large public debt, which stands at almost 120 per cent of GDP. Analysts estimate that each percentage point added to interest rates increases the annual cost of servicing debt by L15,000bn (£6.7bn), although it takes three years for such an increase to work through.

The interest rate rise will be unwelcome news for Italian companies. Mediobanca, the Milan merchant bank, yesterday said that corporate Italy reported an overall loss of L17,000bn in 1993, double the figure for the previous year. Medium-sized companies were in deficit for the first time in the last decade.

A deepening cloud of debt is enveloping Russia's factories, which are continuing to operate in their habitual, inefficient fashion. They have stopped paying their suppliers and their employees. In turn, their purchasers have stopped paying them. Tony Andrews

# Tangled mesh of corporate debt ties down Russia's economy

**Chrystia Freeland** reports on how powerful enterprises are protecting themselves from the harsh realities of the market

Like the sorcerer's apprentice, thousands of Russian enterprises have been furiously churning out goods they are unable to sell and taking delivery of goods they cannot pay for.

This absurd practice has built up, by conservative estimates, a Rbs30 thousand billion mountain of inter-enterprise debt which presents so serious a threat to the Russian economy that an "emergency commission" established last week to address the issue has been reporting weekly to the president and prime minister.

"This problem is a very big and complex issue which it is difficult for a person from a normal country to understand," explains Mr Peter Karpov, deputy director of Russia's federal bankruptcy agency. "It is a product of our old system in which goods were traded according to a central plan, and money was like an amusing but insignificant little musical accompaniment."

The convoluted web of inter-enterprise debt is now threatening to paralyse the Russian economy. Workers at the Smolensk nuclear power plant yesterday continued their two-week-old strike, sparked by the power station's failure to pay wages for the past four months, which in turn has been caused by the Russian power grid's failure to pay the Rbs5.5bn it owes the plant.

Thousands of workers in less vital and potentially volatile industries have also been hit by the payments crisis. But to untangle the massive network of debt the government will have to take a fundamental, and potentially painful, decision about Russia's economic future.

The debt issue is the first and most fundamental test of the Russian government's commitment to economic reforms since this spring, when Mr Victor Chernomyrdin, the prime minister, impressed western financial institutions and halted the country's runaway inflation by introducing tighter fiscal and monetary policies. Gone were the soft credits which insulated many enterprises from the harsh realities of the market in the first few years after the collapse of communist central planning.

However, thousands of factory directors have found a way to evade the government's new austerity. They have continued to operate in their habitual, inefficient fashion, but have stopped paying their suppliers and their employees. In turn, their purchasers have stopped paying them.

"As one of the most powerful classes in Russia, the directors have a strong corporate mentality, and by not paying one another and accumulating huge debts they are protecting themselves from market reforms," says Mr Dmitri Vasiliev, deputy head of the state privatisation agency and a leading market reformer. "Their position today is simple: they are going to the government and, as always, asking for fresh credits to liberate them from the payments crisis."

A more nefarious motivation for the accumulation of inter-enterprise debt is suggested in a document circulating within the Russian government and obtained by the Financial Times. Based on an investigation of 15 companies, the report, written by the bankruptcy agency's Mr Karpov, argues that corruption, in the form of bribes given to factory managers to induce them to ship goods for which their enterprises are unlikely to ever be paid, is the principal source of mounting inter-enterprise debt.

The report accuses specific companies, among them the Yaroslavnefteorgsintez oil refinery in central Russia, which has arrears of Rbs375bn, of receiving "invisible commissions" from their debtors. In person, Mr Karpov is even more blunt. "There's a criminal element involved. Imagine I want to buy some oil from you on credit. You say fine. Then I lay some cash on the table and I'm happy and you're happy but the enterprise has an unpaid debt."

Mr Karpov maintains that about a thousand large enterprises, most of them in sectors with the ability to export, engage in these sorts of practices and bear the lion's share of the blame for the debt crisis. When these giants fail to pay their own suppliers "the creditors are either too embarrassed to say anything or too scared. They realise that if they complain too loudly they could wind up with bullets in their foreheads."

In his report Mr Karpov concludes that, as the non-payments crisis mounts, indebted enterprises are trying to portray themselves as "innocent and noble producers, victims of the arrears crisis, while the facts and scale of their immoral business are carefully concealed".

As reformers in the government concede, these indebted enterprises form a powerful lobby which is pushing for an old-style solution: lower taxes, easy credits and perhaps a freeze on some prices. If the government manages to stand up to the directors and take the option preferred by market reformers – to force them into bankruptcy – it would be the clearest sign yet that Russia is committed to building capitalism.

# Germans pass free time in 'free' toil

By Christopher Parkes in Frankfurt

West Germans spend 60 per cent more time working for nothing than in their paid jobs, according to the results of a statistics-stretching exercise, published yesterday.

Official data on how people in the region pass their time show 47bn person-hours are consumed every year in paid employment, compared with 77bn in labouring unrewarded in the house, garden and toolshed.

For reasons which are not immediately obvious, the latter figure includes holiday and sick leave from paid jobs.

For equally obscure reasons, the federal statistics office has calculated that if bills for all this "free" toil were presented, based on an average housekeeper's net pay of some DM11 an hour, the region's gross domestic product would expand by at least DM860bn (£355m).

Counting in the "added value" generated by using the washing machine, car and other appliances, the figure inflates to DM1,000bn.

The data constitute "important and long-overdue recognition of the value of unpaid work to the community", Mr Hans Günther Merk, office president, said in a statement accompanying the release of a brochure entitled, "Where does the time go?"

The brochure contains the initial findings from a study in 7,200 households during 1991 for which all family members aged 12 and above filled in a log of how they spent their time for two consecutive days.

At a more accessible level, Mr Merk's team of analysts discovered that even west German men deliver 20 hours' free labour a week at home, while women in the traditionalist "kids, kitchen and church" society work an average 35 hours unpaid.

The average unrewarded working stint for the whole group was 28 hours a week. At the going rate for housekeepers this was worth DM2,550 per household per month.

Leisure consumed an average five hours a day, with the media, including two hours in front of the TV set, accounting for half the total. Adults devoted an average 30 minutes to sport and play, 15 minutes to "culture", and the rest to gossiping and entertaining.

All in all, the study found employed men put in a nine-hour working day, including jobs at home, while home-bound married women with small children worked the same length of time but without the benefit of a pay packet.

# Balladur's bulldog refuses to be muzzled

**Alice Rawsthorn** profiles Mr Charles Pasqua, France's pugnacious interior minister

Even the most ardent French conservative could scarcely deny that Mr Edouard Balladur's cabinet is, well, somewhat staid. Yet there is an exception: Mr Charles Pasqua, the interior minister, who, whatever else he has been accused of, could never be called boring.

The pugnacious Mr Pasqua, 67, with his bulldog features and booming voice, is rarely far from the headlines in France. Yet this week "Charlie" – as he is widely known – has attracted the attention of the international media over his clampdown on Algerian militancy which has involved more than 110 detentions, thousands of vehicle checks and the banning of five Islamist publications, culminating yesterday with the Socialist opposition lodging a formal complaint against him with the prime minister.

To the French, who still remember his first stint as interior minister during Mr Jacques Chirac's premiership from 1986 to 1988, this week's events simply represent a continuation of his characteristically draconian stance on immigration and terrorism.

In other countries, they act as an eerie reminder of the heavy policing in France under General de Gaulle during the 1960s.

Mr Pasqua is almost certainly flattered by such allusions. He loves to brag about being "the son, brother and nephew of policemen" and "Charlie's boys" have returned the compliment by regarding the interior minister as one of their own.

Moreover, Gen de Gaulle was the man who brought him into politics in the 1960s and has remained his idol ever since.

"Pasqua might toy with Balladur and Chirac but he's only ever recognised one political master and that's De Gaulle," said a senior conservative. "Besides, one of his strengths is that he couldn't care less what anyone thinks of him."

Mr Pasqua, after all, has had a much tougher trajectory than his cabinet colleagues, most of whom conform to the Gallic political cliché of comfortable careers as civil servants after graduating from the elite Grandes Ecoles. He was born near Marseilles, leaving him with a rasping Marseillaise accent with which he terrorises his posher fellow parliamentarians. He became a Resistance courier during his teens, working for a network led by his latterday foe, Mr François Mitterrand, the Socialist president.

He spent the 1950s and 1960s travelling up and down France as a sales director for Ricard, the drinks company, but also helped to found the infamous Service d'Action Civique, a militia that helped Gen de Gaulle's secret service fight against North African terrorists. He entered parliament in 1966 and has since relished his role as the Gaullist tough guy railing against everything from European union to Germany's inclusion in this summer's D-Day commemorative march along the Champs-Elysées.

Mr Pasqua, who once said "politics is like journalism, you've got to be a thug to get things done", frequently falls foul of other ministers, notably Ms Simone Weil, the influential health minister. "But Balladur knew exactly what he was doing when he appointed him," said one political analyst. "He needed someone to do his dirty work. Charlie was just the guy for the job."

Charlie is also an invaluable weapon for the Gaullists in curbing the popularity of Mr Jean-Marie Le Pen's extreme right-wing National Front. He has recently become a little *too* popular for the taste of Mr Balladur and Mr Chirac, both of whom have their eyes on the conservative presidential candidacy for next year's elections, although even Mr Pasqua's most ardent supporters suspect he is likelier to be a "king-maker" than a serious contender.

Yet he is still making the most of the publicity generated by this week's clampdown. Charlie was in fine form on French radio yesterday when he dismissed criticism of his tough tactics with: "You can't catch any fish if you don't go fishing."

## EUROPEAN NEWS DIGEST

# German postal sell-off due to start in 1998

Germany's federal postal service aims to offer a first tranche of around 25 per cent of its shares on the stock market in 1998, Mr Klaus Zumwinkel, chairman, said yesterday. In the meantime, it plans to develop new customer services, which could generate some DM5bn (£2.06bn) in annual sales and create up to 30,000 jobs. These include in-house postal deliveries for corporate customers and electronics-based services. Mr Zumwinkel said the service was negotiating with several large companies, offering to deliver mail not only to central post-rooms, but also to individual offices. Electronic post offices, which receive transmitted messages and print them out before delivery, also looked promising, he said. This service has been available in Berlin, Frankfurt, Leipzig and Berlin since last year. In the mainstream parcel delivery business, officials said the state-owned service had a 26 per cent share last year of the national parcels market, when it increased volume 3.6 per cent to 667m deliveries. *Christopher Parkes, Frankfurt*

## Telecom Italia gets approval

Italy's anti-trust authority yesterday gave the formal go-ahead to Telecom Italia, the telecommunications operator created from the fusion of five state-owned companies. But the authority warned the Italian government that if problems in certain areas of telecoms liberalisation were not dealt with quickly, "the competitive development of the markets could be compromised". The authority urged Rome to accelerate implementation of the EU's directive on liberalisation of telecoms data and added-value services, guarantee free and non-discriminatory access to networks, promote alternative networks, set up an effective independent regulator, and end potential discrimination in the maritime communications sector. Trading in Telecom Italia shares – which replace shares in Sip, the domestic telecoms operator – will begin next Thursday in Milan. *Andrew Hill, Milan*

## Tapie fends off Crédit Lyonnais

The beleaguered Mr Bernard Tapie yesterday won a rare victory against Crédit Lyonnais, his bank which is pressing him over his FFr1.3bn (£156m) debts, when a Paris court decided that the left-wing entrepreneur did not have to repay a FFr300m loan. Crédit Lyonnais had claimed that Mr Tapie, a Euro-MP, had breached the terms of the loan, which the bank made last year to Olympique-Marseille, his football club. However the court concluded that there was no reason to force Mr Tapie to redeem the loan given that, under the terms of the original agreement, repayments are not due until September this year. *Alice Rawsthorn, Paris*

## Poll on Slovak sell-off sought

Mr Michal Kováč, Slovak president, yesterday called a referendum for October 22, three weeks after national elections, to decide whether to require all Slovak citizens buying state property in the country's privatisation programme to state the source of their funds. The move was forced on the government by the parliamentary opposition, who claimed that a similar law passed by the government earlier this week did not go far enough. The law already passed, requiring potential buyers to give documentary evidence of the origins of their funds, was made just ahead of a second round of sell-offs due to start next month. The referendum is being used as a political weapon by the former prime minister, Mr Vladimir Meclr, who lost a confidence vote in March. *Vincent Boland, Prague*

## Varenikov acquitted of treason

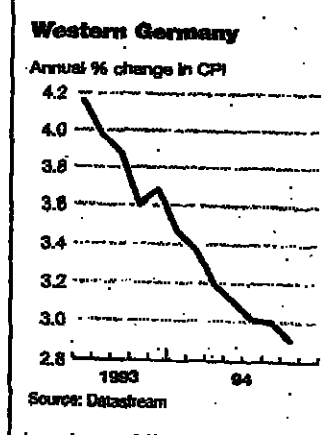
A Russian court yesterday acquitted one of the leaders of the failed 1991 coup of treason. The court ruled that General Valentin Varenikov, former Soviet deputy minister of defence, and his colleagues had been "guided exclusively by the state interests of the USSR". The verdict is an indication of how starkly public opinion has shifted since August 1991, when Muscovites took to the streets to oppose the coup. In a further revision of the general interpretation of the events as they were unfolding in 1991, the court also ruled that former Soviet President Mikhail Gorbachev was not a victim of the coup but, at the very least, a tacit supporter. This week's trial, during which even the prosecution argued for Gen Varenikov's acquittal, was another step in the public transformation of Russian hardline politicians from accused traitors to popular heroes. *Chrystia Freeland, Moscow*

## Tension mounts in Chechnya

Tension mounted in the embattled Chechen republic yesterday, when Chechen President Dzhokhar Dudayev ordered total mobilisation of the region's men to prevent a possible invasion by Russia. Mr Dudayev's control over the breakaway region, which appeared on the wane early this month when Moscow stepped up its political and financial support of Chechen opposition forces, has appeared to strengthen recently. Local reports claim the threat of an invasion by Russia, which lost control of the area nearly three years ago, has rallied the fiercely clannish Chechens to their leader. Mr Dudayev has warned Russia that it would become entangled in "a second Afghanistan" and Moscow itself could fall victim to a "jihad" launched by the Moslem Chechens, who are renowned for their military prowess. These threats appeared not to be lost on Russian President Boris Yeltsin, who yesterday backed down from recent public sabre-rattling. *Chrystia Freeland, Moscow*

## ECONOMIC WATCH

## Inflation down in W Germany




Western Germany's annual inflation rate in July slipped below 3 per cent for the first time since April 1991, the federal statistics office said. Confirming a figure of 2.9 per cent calculated earlier from preliminary data, the office said the rate was 2.7 per cent if seasonal goods were excluded. Housing costs were 4.6 per cent higher than a year earlier, while services were 4 per cent dearer, although the month-on-month rate of increase had slowed this year. Car running costs were 4 per cent up on the year, thanks largely to fuel tax rises, while the index of retail prices was only 1.1 per cent higher. The annual inflation rate in eastern Germany was unchanged in July at 3.2 per cent, the office added. *Christopher Parkes, Frankfurt*

■ French gross domestic product rose by 0.7 per cent in the first quarter of 1994, the state statistics institute Insee reported. This compares with an initial estimate of 0.5 per cent. The increase partly reflects a change in Insee's methods, but also an unexpectedly strong performance by the service sector and, to a lesser extent, by manufacturing.

■ The Danish government has upgraded its growth forecast for this year to 4.4 per cent from 4 per cent in May. However, it has revised down its 1995 forecast to 3 per cent from 3.4.

■ Spain's registered unemployment fell by a record 85,000 in July, but 16.5 per cent of the workforce is still idle, labour ministry figures showed.

■ The jobless rate in the Czech Republic rose to 3.2 per cent in July from 3.1 per cent in June. The total number of registered unemployed stood at 160,202.

# Japan's credit crunch threatens anaemic recovery

## For the first time on record the economy has suffered a contraction in lending, writes Gerard Baker

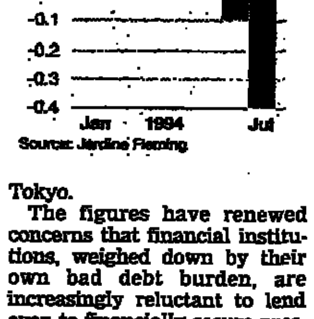
If Japan's anaemic recovery shows any sign of strengthening in the next year, it will not be thanks to the country's banks.

Figures published this week by the Bank of Japan show the economy is suffering from a severe credit crunch. Credit creation has been on a steeply declining path since the end of 1990, when the economy began its long recession, but in June and July, for the first time on record, the economy suffered credit contraction.

In June lending by domestic banks contracted by 0.1 per cent over the same month a year ago; for July the contraction was 0.4 per cent.

"Instead of injecting purchasing power into the economy, the major banks are actually withdrawing money," said Mr Richard Werner, chief economist with Jardine Fleming in Tokyo.

Japan: bank lending




Source: Jardine Fleming

The figures have renewed concerns that financial institutions, weighed down by their own bad debt burden, are increasingly reluctant to lend even to financially secure prospects.

The banks' defence is that they are simply helpless spectators at a beggars' banquet. The problem is not shortage of supply, they argue, but a lack of demand, as companies express little interest in borrowing to finance new investment.

Indeed, they point out, so severe is the dearth of demand for bank lending that they have in recent weeks pared interest rates to the bone for their larger corporate customers to entice them back, even at the risk of cutting further their slim profit margins.

But critics of the banks say their willingness to lend is increasingly selective. The prodigality that characterised the late 1980s so-called "bubble economy", when asset prices surged, has given way to a hyper-conservatism that is stifling investment and recovery.

The truth lies somewhere in between. There is certainly limited demand for credit from the larger companies. The Bank of Japan's last quarterly survey of business sentiment published in June revealed that most large companies were finding banks more, not less, accommodating than they were a year ago.

Their own reluctance to invest is striking. In the boom years, companies indulged in an excess of capital spending that resulted in widespread over-capacity when the recession took hold. Most of them now say they can meet a revival in demand without having to increase investment, and are therefore not in the market for bank loans.

Even if they were, the growth of raising finance in the security markets would enable them to overcome any reluctance on the part of the banks by simply issuing bonds or equities.

"Corporate demand for capital investment remains very weak," said a spokesman for the Federation of Bankers' Associations of Japan. "It may be true that banks have tightened lending criteria, but that's certainly less important than the lack of demand for borrowing."

That is not the experience of Mr Takanobu Matsuda. Mr Matsuda is the president of a small electronics manufacturer in Nagano in the Japan Alps. Earlier this year he needed funds to finance the sort of restructuring Japanese companies are being urged to undertake – to pay for severance payments as he cut the company's payroll – but was turned down. His business barely survived the experience and he is bitter about the episode.

"Small companies like ours, with little capital, are dependent on the banks for funds. Even though we have now completed the restructuring process and are growing again, we still find it difficult to borrow."

Mr Matsuda's case is typical of small companies. Banks may be willing to lend to larger ones, but see small businesses as too risky.

The reason, said Mr Werner, is that the collapse in property prices in the last few years transformed banks from aggressive lenders into models of parsimony.

"The assessment of credit risk is largely based on the archaic method of assessment of the value of collateral, mainly land," he said. While large companies, sitting on substantial land holdings, have no difficulty borrowing, small businesses are unable to convince banks that their collateral will hold its value, even if their cash flow and other business indicators are healthy.

Several banks have already had their own near-death experiences as a consequence of an expanding non-performing loan portfolio and are anxious not to repeat them.

Apportioning blame for the implosion of credit is ultimately an unproductive exercise. What matters is that money is now being drained from the economy. At the same time, public sector liquidity is also parched. Since credit creation represents purchasing power, the implications for the economy are disturbing. Without an early upturn in lending, whether supply- or demand-led, Japan's nascent recovery may prove short-lived.

# Nigerians dig holes for jet fuel

By Paul Adams in Lagos

Nigeria has gold in the north, marble in the middle belt and oil in the south-east but in Lagos people are digging for jet fuel.

For the past month crowds have arrived in a patch of bush next to the international airport, carrying jerry cans and scooping the fuel out of pits they have dug in the ground or out of pools forming on the surface.

The jet fuel has leaked out of an underground pipeline running from the outskirts of the city to the hydrant installation at Lagos international airport. Jet fuel is a substitute for kerosene, which millions of Nigerians depend on for cooking but supplies are running out.

The place is called Mafoluku, but has been nicknamed "Bakassi", after the peninsula where troops from Nigeria and Cameroon clashed earlier this year, because it is full of oil and soldiers.

A platoon of soldiers guarding an office of the state-owned Pipelines and Products Marketing Company (PPMC) next to the pipeline shows no sign of interest while the people mill around shallow pits underneath two government signs which say "Safety on the job begins here" and "No smoking".

Mafoluku shows the extent of the break-down in the public sector and what many Nigerians will do just to get by in life. "There has been a leak there for about two years and despite repeated attempts PPMC have still not fixed it," says an executive for one of the oil companies which run the jet fuelling operation at the airport.

"It is not dangerous to use this for cooking, it's basically the same fuel. These people are getting it for free. There is no kerosene around because it is all being used as jet fuel to keep flights going."

Domestic fuels are supplied by PPMC and officially sold at a subsidised price of some 4 pence sterling a litre, but for most of this year it has been scarce. Long queues of women and children with their kerosene cans have become a normal sight outside petrol stations.

The six-week political strike by the oil workers' unions Nupeng and Pengassan has made fuel almost unobtainable except at a 1,000 per cent mark-up on the black market. Kerosene and LPG cooking gas can be bought only at black market prices 12 times the official price (around 50 pence a litre of kerosene).

Many manual workers are paid the equivalent of about £10 a week and cannot afford these prices.

Those who wish to play it safe are reduced to searching for firewood.

The unions are demanding the end of Gen Sani Abacha's regime and release of Mr Moshood Abiola, banned winner of last year's presidential election, who has been jailed for treason.

Last week's general strike is suspended until next Tuesday's hearing of the court trying Mr Abiola in Abuja. But the Lagos branch of the Nigeria labour congress has stayed out, bringing the commercial capital in Mr Abiola's Yoruba heartland near to standstill. A bank strike, just ended, delayed payments of July salaries; public transport is scarce; and power cuts are worse than usual. But some people have cooking fuel, unorthodox though it is.

# PM given plans for new constituencies

A Japanese advisory panel yesterday submitted a draft to Prime Minister Tomiichi Murayama for redrawing constituencies for the lower house, one of the main pillars of a political reform package, Emiko Terazono reports from Tokyo.

The last phase of the reforms that have dominated Tokyo politics in recent years, the redefining of the boundaries of 300 single member constituencies, aims to eliminate discrepancies of voter representation.

Politicians have for long seen the old multi-seat system as the root cause of a string of funding scandals. Candidates, often from the same party, felt obliged to compete on the basis of lavish campaigns rather than on policies.

At present, there is a huge difference in the size of urban and rural constituencies. The plan presented yesterday reduces the level of disparity between the most populated electoral district in the northern island of Hokkaido and the least populated constituency in Shimane, western Japan, to 2.1 times, down from as much as three times.

As a result, rural areas will lose seats while cities will gain. Mr Jeff Young, political analyst at brokers Salomon Brothers in Tokyo, says the changes will eventually lead to more consumer oriented policies, and boost deregulation efforts.

Electoral reform will also reduce the number of seats in the lower house from 511, which are elected in multi-member districts to 500, of which 300 will be elected in single member constituencies and 200 will be decided by proportional representation in 11 regional blocks.

The passage of electoral reform legislation through parliament, which could come as early as next month, will pave the way for the government to enact the political funding bill, which will regulate the distribution of public subsidies to political parties. While parties in the ruling coalition – Social Democrats, Liberal Democrats and New Harbingers – are seen as wanting minimal changes in electoral boundaries, because of fears of losing their old support bases, they are not expected to haggle over electoral reform because they need funds.

Three hundred Islamic activists marched through Dhaka yesterday, demanding that Taslima Nasrin, the feminist author who has fled to Sweden in fear for her life, be brought back to Bangladesh and tried for blasphemy, AP reports from Dhaka. The protest march was organised by a coalition of 13 Islamic groups that want Ms Nasrin executed for a comment she allegedly made against the Koran.

For two months, Ms Nasrin hid in Bangladesh to avoid death threats by fundamentalists. She surrendered to a court in Dhaka on August 3 and was granted bail and permitted to travel outside Bangladesh.

Ms Nasrin flew to Stockholm on Tuesday and is living at an undisclosed location. "The government has connived with the infidel in allowing her to leave the country," Mohiuddin Khan, a protest leader, said. Before Ms Nasrin, 32, emerged from hiding, extremist groups organised large demonstrations against her. But since then, the turnout at anti-Nasrin rallies has been smaller.

## Resignation of Jimmy Lai 'not connected' with virulent criticism of Chinese PM

# Outspoken chairman quits HK company

By Louise Lucas in Hong Kong

Giordano, the fashion retailer whose Beijing store was closed by China's Foreign Trade and Economic Commission on Monday, yesterday announced the resignation of Mr Jimmy Lai, non-executive chairman. His successor, Mr Peter Lau, said the closure of the Beijing shop triggered Mr Lai's decision to quit.

However, directors said there were no grounds to connect the closure with Mr Lai's virulent criticism of Chinese premier Li Peng in his popular weekly Next Magazine.

Mr Jimmy Chan, executive director, said: "In the interests of the company we would separate personal views from the view of the board. The board do not share Jimmy Lai's views; therefore we found it would be beneficial for him to resign."

Although widely expected, the departure has delivered a jolt to the business community in Hong Kong, by far the bulk of whom are engaged in activities on both sides of the border. For those who refuse to accept the coincidence of the Beijing shop's closure and Mr Lai's open letter to Mr Li, this is the first blatant instance of Beijing dictating to Hong Kong business. However, few are prepared to voice their fears publicly.

Privately, a government official said: "This is going to seriously worry the community here in Hong Kong if they think Lai was forced to stand down because of political reasons, because such an action would strike at the heart of Hong Kong's future autonomy in terms not only of freedom of expression but non-interference in commercial affairs too. And these are the twin bedrocks on which the success of Hong Kong has been built."

Announcing the board decision yesterday Mr Lau, chief executive, said: "As far as the Giordano board of directors is concerned our primary responsibility is to all shareholders. If one [shareholder] happens to hold certain views which we may not think are beneficial to certain markets, then it is the directors' responsibility to bring this up in discussion with shareholders.

"As a non-executive chairman or as a shareholder who also holds an official position, I think the views he continues to express in his other businesses are not compatible at times with the markets that we operate in. The views he makes have no benefit to the company in these markets, and could hurt it."

The fate of the relinquished voting rights – attached to his 36 per cent shareholding – was still under discussion with the securities regulator last night. Initial plans to assign all voting rights to three executive directors, including Mr Lau, were quashed by the Securities and Futures Commission as a breach of the takeover code – which stipulates that a transfer of a holding in excess of 35 per cent be accompanied by a general offer. One option is for Mr Lai to abstain at all shareholder meetings.

# Zaire's ministers 'paid $14,500 a month'

By Michela Wrong of Reuters in Kinshasa

Zaire's previous government paid its ministers salaries of $12,500 to $14,500 a month despite a financial crisis and grinding poverty, a report ordered by Mr Kengo Wa Dondo, the new prime minister, says.

The salaries would be generous in a western country but in Zaire, where a government clerical worker earns 17,000 zaires ($12) a month and an ordinary soldier gets 5,000 zaires, they are stratospheric.

The report, passed to Reuters and confirmed by ex-ministers, also says paymasters in the government of former prime minister, Mr Faustin Birindwa, actually drew between two and three times the authorised salaries from the Bank of Zaire and pocketed the difference before paying the cabinet.

Mr Kengo, appointed in June to head a government of national unity, has promised to put an end to the corrupt practices that dogged past administrations and to halt Zaire's financial collapse.

In Zaire, state office is traditionally viewed as an opportunity for amassing personal wealth, a fact President Mobutu Sese Seko has publicly acknowledged.

According to the document, dated July 26 and compiled by a former member of Mr Birindwa's cabinet, deputy ministers were paid $12,500 a month, ministers $13,500 and deputy prime ministers $14,500. No figure is given for Birindwa.

The payments were awarded at a time when Zaire was nursing foreign debts of $9.5bn and was shortly to have its voting rights at the International Monetary Fund suspended for non-payment of arrears. Local economists estimate the budget deficit for the first six months of 1994 at around $60m.

Former members of Mr Birindwa's government confirmed the details given in the report on Thursday, but said that during its 14 months in office only nine pay cheques were delivered.

They also revealed how the inner circle in charge of payments made further profits. Salaries were paid in zaires at an exchange rate chosen arbitrarily by Mr Birindwa, which was well below the market level, often halving the final dollar value.

# Burundi fears of ethnic conflict

Burundi deployed more troops in the capital Bujumbura yesterday to try to quash ethnic clashes threatening to take it down the path of war-ravaged neighbouring Rwanda, Reuter reports from Bujumbura.

# Sri Lankan business fears poll upset

By Mervyn de Silva in Colombo and Stefan Wagstyl in New Delhi

Sri Lankan businessmen are bracing themselves for the possible defeat in next week's general election of the ruling United National party which has governed the country for 17 years.

They fear victory next Tuesday for the left-leaning opposition People's Alliance, an eight-party coalition, could bring political and economic uncertainty.

"Uppermost in the minds of most Sri Lankans in this election will undoubtedly be the maintenance of political stability," says the current issue of the Sri Lanka Exporter, a pro-government business magazine.

The opposition parties have given public assurances that they would not abandon the pro-market economic reforms carried out by the UNP over the past three years. Mrs Chandrika Kumaratunge, the opposition leader, has called for "structural adjustment with a human face". But businessmen fear her allies, which include the Communist party, will demand more radical shifts in economic policy.

Shares on the Colombo Stock Exchange fell sharply earlier this year when Mrs Kumaratunge began attracting huge crowds at rallies. But it has since stabilised.

The political uncertainty began in March with the ruling party's defeat in March in provincial polls – the UNP's first electoral setback in 17 years. Mr D.B. Wijetunga, who succeeded the assassinated president, Ranasinghe Premadasa, last May, tried to win back support with a string of populist financial hand-outs, including tax cuts and food-stamps for schoolchildren. But he failed to take the steam out of the opposition, especially the centrist Sri Lanka Freedom party, headed by Mrs Kumaratunge, the daughter of Mrs Sirima Bandaranaike, the former prime minister.

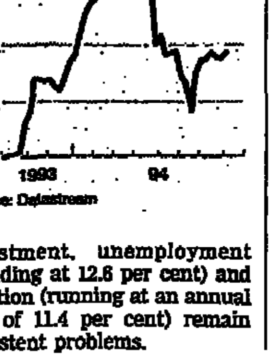
The general election was not due to be held until next year, after a presidential poll in November, but Mr Wijetunga has called an early general election in the belief that the UNP will do better in a party-based contest than in a head-to-head presidential battle between himself and Mrs Kumaratunge.

The UNP in its campaign is reminding voters that, under Mrs Bandaranaike's leftist government, the pre-UNP 1970s were for Sri Lanka "an era of ration cards, queues, quotas and shortages". Mrs Kumaratunge, herself a generation younger than Mr Wijetunga, appeals to voters who are too young to remember the 1970s and who believe that 17 years in power is long enough for any party.

Mrs Kumaratunge is also trying to exploit the fact that even though Sri Lanka has successfully opened its economy to international trade and investment, unemployment (standing at 12.6 per cent) and inflation (running at an annual rate of 11.4 per cent) remain persistent problems.

Sri Lanka

IFC index, 1/10/93 = 100




Source: Datastream

## NEWS IN BRIEF

# China's exports up by 31.2%

China's exports continued to grow more strongly than imports in the seven months to the end of July, indicating a smaller trade deficit for the year than forecast, Tony Walker reports from Beijing. According to Chinese customs statistics, exports reached $58.74bn (£39.1bn), an increase of 31.2 per cent over the same period last year. Imports totalled $58.81bn, up 19 per cent. In July exports grew much faster than imports: they were up by 35.7 per cent compared with a rise in imports of just 9.7 per cent.

This indicates imports continue to slow in response to tight restriction on credit imposed in July last year and tightened in the early months of this year.

China last year recorded a $12.2bn deficit on its trading account compared with a surplus of $4.4bn in 1992. Chinese economists had forecast a $10bn trade deficit this year, but it now seems likely it will be less. Chinese customs reported that to the end of July, Japan was China's largest trading partner, with bilateral trade reaching $23.15bn compared with $20.98bn for Hong Kong and $17.2bn for the US.

## N-team may visit N Korea

The US and its western allies may send a team of experts to North Korea to examine about 8,000 spent nuclear fuel rods that could soon pose a radiation threat, diplomats said yesterday, Reuter reports from Geneva.

Sending the team was part of an interim agreement being negotiated in US-North Korean talks in Geneva to allay fears over the fate of the uranium rods, they added. Wider negotiations on plans for North Korea to switch to a safer type of nuclear power technology were proceeding slowly and nothing more than a "modest" agreement was expected.

The heads of the two delegations, US assistant secretary of state Robert Gallucci and Pyongyang's deputy foreign minister Kang Sok-ju last met on Wednesday. Officials said Mr Kang and Mr Gallucci would meet again only if necessary. The talks are due to finish by tonight.

## Poll fears hit NZ markets

New Zealand's National party should continue to govern even if it loses its parliamentary majority in tomorrow's by-election, Mr Jim Anderton, leader of New Zealand's left-wing Alliance party, said yesterday. Terry Hall reports from Wellington. Mr Anderton has said the opposition parties would simply insist the government acted in a consultative manner.

Financial markets have begun to react negatively to opinion polls which suggest the Alliance could win the election. This is being held because of the retirement of former finance minister Ruth Richardson from the former National stronghold in the Selwyn electorate.

The prospect of a loss has caused signs of panic within National, with Premier Jim Bolger warning of "economic chaos" if the Alliance wins. Financial markets reacted to his comments, with the New Zealand dollar falling, interest rates rising and the share market dropping, a Bankers' Trust economist said.

## Australian rates rise likely

The prospect of an increase in Australia's official interest rates resurfaced yesterday after labour market figures showed a sharp increase in employment last month. Some economists predict the monetary tightening could come before the end of September, Nikki Tait reports from Sydney.

The figures showed a gain of 90,200 jobs, the third biggest monthly rise ever. The national unemployment rate fell from 10 per cent to 9.5 per cent, and is at its lowest level since June 1991.

## Malaysia air plan shelved

Plans announced earlier this year for the formation of a second Malaysian airline have been indefinitely postponed, Mr Ling Liong Sik, transport minister, said, Kieran Cooke reports from Kuala Lumpur. Mr Ling gave no reason for the move.

In January, the government announced the go-ahead for the airline, to be called Air Asia. It was expected it would take over a number of domestic and regional routes from Malaysia Airlines, the national carrier. Hicom, the government's heavy industrial investment company which has recently been partially privatised, has a 45 per cent stake in Air Asia.

## Manila record deficit

The Philippines recorded a $906m (£585m) trade deficit in June, bringing the total shortfall for the first six months of the year to a record $4.07bn, National Statistics Office data published yesterday showed, Jose Galang reports from Manila. The six-month deficit was 41.6 per cent higher than the year before.

The gap resulted from a much faster increase in imports, which rose by 26 per cent to $10.14bn, while exports grew by 17 per cent to $6.07bn. In June alone, imports reached $2.02bn, more than double the $1.34bn in the same month last year.

## Indian monsoon hopes rise

The 1994 monsoon is bringing good rains to most of India for the eighth year in a row, to the relief of farmers and economic planners, Stefan Wagstyl writes from New Delhi. The Indian Meteorological Department said the monsoon, which started in early June and usually ends in September, has brought average or above-average rain to 29 of the country's 35 sub-divisions.

NEWS: THE AMERICAS

# Survey shows rise in cross-border deals

By Bronwen Maddox in New York

Mergers and acquisitions of companies across international borders reached $77bn in the first half of 1994, according to a report published yesterday.

That represents a 10 per cent increase on the sums spent on deals in the second half of last year but is still below the $90bn of deals made in the first half of 1993.

One of the most striking trends revealed in the report by KPMG Peat Marwick, the accountancy and consultancy firm, is that the US has returned to "its traditional role as a magnet for foreign capital" helped by the weakness of the dollar and the resurgence of economic growth. In the first six months of the year, foreign companies spent $26bn on more than 300 acquisitions, joint ventures and minority investments in US companies. Foreign spending in the US is "on track to surpass last year's total by almost 50 per cent", the survey says.

That marks a reversal of the pattern of the last two years, when US companies spent more on acquisitions abroad than foreign companies did in the US. In 1992, US companies spent $22bn on 824 foreign deals, and imported $14bn through 528 transactions. Last year, US companies spent $38bn on 942 deals but foreign companies spent only $33bn on 570 deals.

However, despite the dollar's weakness this year against sterling, the historically strong level of deals between US and UK companies fell by 30 per cent to around $16bn in the first six months of 1994.

Last year, UK companies were responsible for four of the six largest foreign takeovers of US companies. But so far this year, SmithKline Beecham's acquisition of Diversified Pharmaceutical Services from United Healthcare has been the only UK deal to figure in the top six foreign takeovers by value as ranked by KPMG.

The report also notes a 70 per cent drop in spending by Japanese companies on foreign acquisitions, which may reflect political and economic uncertainty. There has also been a drop in spending in acquisition investment by all countries in Russia and China, from a total of $22bn in both countries in 1993 to $5bn in the first half of 1994.

Following last year's successful completion of the North American Free Trade Agreement, deals across US, Mexico and Canada appear to be sharply up in the first half of 1994. In Mexico, deals total $7bn so far this year, compared to $11.4bn in the whole of 1993 and $2.5bn in 1991.

*KPMG Quarterly Survey of Cross-border Transactions, KPMG New York, Tel 212 909 5108*

Legislation will allow easier access to credit

# Senate backs community banks

By George Graham

The Clinton administration has completed the first item on its banking legislation agenda with a Senate vote to pass the Community Development Act, which will set up a $382m (£246.4m) fund to spur the creation of local development banks and partnerships in economically distressed communities.

But a more far-reaching bill to allow banks to open branches outside their home states, overturning decades of US banking tradition, remains blocked in the Senate. Although its supporters believe they will easily win a vote on the measure, which passed the House of Representatives last month, the debate on healthcare reform has pushed it off until September, at the earliest.

The Community Development Act was a significant component of President Bill Clinton's economic programme, and administration officials say it should improve access to credit for communities which have found it difficult to obtain financing.

Mr Frank Newman, undersecretary for domestic finance at the US Treasury, said he hoped within a year not only to establish the fund and set out the criteria on which it would judge applications, but also to make the first investments. The fund may offer equity, loans or grants to community development banks, as well as providing credits to traditional banks which increase their community lending.

If, as Mr Newman hopes, the Senate passes the Interstate Branching Bill this year, the administration still has unfinished business on its banking agenda when a new Congress comes to Washington next year.

Mr Newman lists the securities activities of US financial institutions, issues of fair lending and community responsibility for financial services companies which are not banks, and an overhaul of the Federal Home Loan Bank system as priorities.

But the issue which bankers will be watching most closely is the consolidation of the various agencies which now supervise banking activity.

Treasury proposals to consolidate federal bank regulators into a single agency were put off this year in the face of opposition from the Federal Reserve, which has supervisory responsibility for a large portion of the banking industry. Mr Newman said the Treasury was "pretty far along" in its efforts to resolve the disagreement with the Fed.

# Energy costs lift producer index

By Jurek Martin in Washington

The underlying rate of US inflation at the wholesale level remained modest in July, in spite of the producer price index's largest increase in 15 months. The index's 0.5 per cent advance, after no rise at all in June, was almost entirely the result of higher energy and coffee prices, with the core element up only 0.1 per cent.

For the year to date, wholesale prices have risen at an annual rate of 2.2 per cent, which constitutes some recent acceleration as the rise over the last 12 months has been only 0.6 per cent.

The Commerce Department also reported yesterday a 0.1 per cent decline in retail sales in July, following a revised 0.8 per cent rise in the previous month. The drop was largely attributable to a 1.7 per cent fall in vehicle sales.

Although the jump in wholesale prices exceeded most market expectations, Wall Street took the new data in its stride, with the stock market climbing modestly in morning trading. This week's sharp drop in coffee futures removes one large element of the July increase.

Greater attention will be paid to the consumer price returns due to be published today, to the industrial production returns out on Monday and to next Tuesday's meeting of the Federal Reserve's open market committee, which may well result in the fifth increase in short-term interest rates since February.

Merrill Lynch's economic commentary yesterday was representative of market analysis. The latest data, it said, confirmed that the economy was on a path of moderate growth and low inflation and "should be read as encouraging news for the financial markets and for the Fed".

"Nevertheless," it continued, "we still expect the Fed to tighten monetary policy next week, probably raising the Fed fund rates by 25 basis points to 4.5 per cent."

On the wholesale front, energy prices rose 2.5 per cent in July, led by petrol, up 8 per cent, and heating oil, 6.4 per cent higher. Coffee prices were 42.8 per cent higher as a result of frost damage in Brazil. Overall food prices rose by 0.5 per cent.

The Labour Department also reported a small (6,000) weekly increase in the number of Americans seeking unemployment benefits. This now stands at a seasonally adjusted 321,000.

A paramilitary recruit sizes up a target during training in Port-au-Prince aimed at repelling any invasion AP

# Haiti military leaders offered 'last chance'

Several Latin American governments are to send a mission to Haiti in an attempt to persuade the country's military leaders to step down and prevent a US-led military invasion to restore the exiled president, diplomats in Port-au-Prince said yesterday, writes Canute James in Kingston.

The move will come "in a few days" despite earlier doubts about its effectiveness.

The mission, which had seemed unlikely last week, would offer Haiti's military governors a "last chance to save themselves", by leaving office. If they did not, several countries which were now reluctant to support military intervention might change their minds, the envoys said.

# Guatemala's chance not to 'shoot it out'

**Edward Orlebar** on elections for a congress that is intended to help bring peace

A former general accused of thousands of human rights abuses has emerged as the central figure in congressional elections in Guatemala on Sunday.

The election is for a reduced congress of 80 members who will serve only until January 1996. But they will have to legislate on commitments made by the government and left-wing guerrillas who are hoping to sign a peace agreement to end 34 years of civil war.

Leading the polls are two right-wing parties, the Partido de Avanzada Nacional (PAN), which has strong backing from much of the business community, and the Frente Republicano Guatemalteco (FRG), led by retired General Efrain Rios Montt, a former coup leader and rabid Christian fundamentalist whom human rights groups accuse of being responsible for thousands of political killings during his 18-month regime in 1982-83.

The government, which has already begun to lobby prospective deputies, is hoping that the new congress, unlike its predecessor, will be more receptive to what is expected to be a heavy legislative load.

But the election is also being seen as providing political parties with the opportunity to improve the abysmal reputation for venality and personal advancement that they currently enjoy.

"This is a last chance. If we don't make this work we'll have to shoot it out," says Mr Jorge Skinner Klee, a veteran congressman who is standing for re-election.

The PAN and the FRG are perceived as the parties least to blame for the political impasse which has characterised relations with the executive over the last year.

While the rise of Mr Rios Montt has alarmed human rights groups, popular organisations and intellectuals, his campaign, which emphasises honesty and a tough stance on law and order, has struck a chord with Guatemalans who feel besieged by the high levels of crime and are sickened by apparently endemic institutional corruption.

"Every time somebody's car gets stolen, a girl gets raped or a bus gets held up, that's another vote for Rios Montt," says Mr Skinner Klee.

The fact that two mass graves, with remains of civilian victims of massacres carried out by the security forces during Mr Rios's regime, are being exhumed appears to have had no effect on the electorate.

Supporters of the general admit that this is the beginning of a campaign for presidential elections in November 1995. His prospects then may hinge on whether his party gains a large representation in congress. "If the FRG wins a landslide, obviously it will strengthen his chances," says Mr Gustavo Porras, an analyst.

The election was brought forward by 15 months as part of a compromise constitutional reform package agreed between the government and congress in November after President Ramiro de Leon failed to muster enough political support to force a clean-out of a corrupt congress.

Mr De Leon, who says he has high hopes that he will be able to work amicably with the new congress, needs congressional approval before the end of September on a favourable deal struck with Paris Club creditors on rescheduled debt.

The government is also keen to push through fiscal reforms, blocked by the current congress, which would strengthen sanctions for tax evasion, and are intended to increase Guatemala's tax take from 8 per cent to 10 per cent of GDP.

NEWS: WORLD TRADE

# Eximbank's credit role to be widened

By Nancy Dunne in Washington

The US House of Representatives has passed legislation which would allow Eximbank, the US government export credit agency, to broaden financing to include "non-lethal" products produced by US defence manufacturers. An identical bill is soon to be introduced in the Senate.

The bill represents an attempt by the Congress to give a boost to defence companies which are converting their factories to civilian uses.

Eximbank's charter always prevented it from support of defence sales in developing countries. It was changed in 1992 to prohibit military sales everywhere, the lone exception being for drug interception equipment. That paved the way for the sale of some helicopters to Hungary.

The current change arose from the loss of a US bid to sell an air traffic control system to Hungary. Eximbank refused to fund it because the system would also be used by the military. The bill, if passed by the Senate, would allow the financing of equipment and services, primarily for civilian purpose but occasionally used by the military.

Eximbank is undergoing a number of changes, as it becomes increasingly a key instrument of US foreign economic policy. Foreign aid is no more popular than it ever was, so it has been up to the bank and the Overseas Private Investment Corporation to take the lead in conveying US adjustment assistance to eastern Europe and the former Soviet republics.

It has signed a series of "project incentive" pacts with Russia, Turkmenistan, Belarus and Kazakhstan, and it is moving into limited recourse project finance.

This lending does not require the guarantee of the borrowing company's government. Instead repayment is guaranteed from the revenue stream of the product itself.

Another provision of the House bill authorises a $35m fund to promote the sale of environmental goods and services from small US companies. Pushed by Congressman Joseph Kennedy, a Massachusetts Democrat, the fund could generate up to $600m in sales.

Congress, meanwhile, is also boosting funds for the Opic, which provides loans and political risk insurance, and for the Trade and Development Agency, which lends money so that companies can make feasibility studies.

# Taiwan, Singapore plan satellite link

Taiwan is to co-operate with Singapore in the manufacture and launch of a commercial satellite at a cost of US$215m, the head of Taiwan's Telecommunications Ministry said yesterday, Laura Tyson writes from Taipei.

Mr Steven Chen said contracts would be signed in October and the satellite would be launched in three to four years. Because Taiwan is not a member of the International Telecommunications Union, Singapore's orbit will be used.

The satellite would cover east and south-east Asia and China, he said. It would have 24 transponders, shared equally between the two countries.

The aim is to meet fast-rising demand for satellites from local broadcasters, television stations, defence and cable television. Seven transponders have already been booked.

# Vietnam warning to foreign companies on licences

By Jeremy Grant in Hanoi

Vietnam has said it will fine the growing number of foreign companies that are abusing representative office licences issued by the government.

Representative offices are often an investor's first step into Vietnam but their licence only allows marketing and liaison. They are not allowed to receive income in Vietnam.

However, an increasing number of foreign investors are using them for trading and carrying out business transactions.

Foreign representative offices found violating their charter will be fined $50,000 and be subjected to surprise inspections by the Ministry of Trade, the government said. A further fine of $20,000 would be imposed for offices operating beyond expiry of their licence.

The Ministry of Trade is responsible for granting licences.

They say this happens because the rules applying to representative offices are not in keeping with the present investment climate.

"They were essential in the early years (of foreign investment) when people came to do feasibility studies," said one US consultant based in Hanoi. "But now people are actually trying to do business."

Vietnam's chamber of commerce and industry says there are 964 representative offices in the country, with 629 in the southern industrial hub of Ho Chi Minh City and the rest in the capital, Hanoi.

There are no official estimates of how many foreign companies are breaking the rules but local press reports citing violations have appeared more frequently this year. Most are understood to be small, Asian companies.

Many foreign companies, particularly lawyers, sidestep the restrictions by negotiating business contracts in Vietnam but actually sign them and receive fees at branch offices elsewhere in Asia.

# Chile knocks on all trade doors

## An export-based economy is seeking partners everywhere, writes **David Pilling**

When it comes to seeking out trade agreements, Chile is gaining the reputation of a bit of a flirt.

Not only is Santiago courting the US in the hope of consummating a free-trade pact, but it has also sealed an agreement with Mercosur that is expected to lead to associate membership of the emerging customs zone that covers Brazil, Argentina, Paraguay and Uruguay.

As if this were not enough, Chile is later this year due to join the Asia Pacific Economic Co-operation group (Apec), which it hopes will coalesce into a preferential trading area.

"We have come to the conclusion that the only way to gain access to other markets is by bilateral or regional negotiations," says Mr Juan Salazar, director of international economic relations at the Foreign Ministry. "After we had unilaterally opened up our economy, we supported the multilateral negotiations through Gatt [General Agreement on Tariffs and Trade] and the Uruguay Round, but this has not been enough – not all the world's markets have opened up as fast as ours."

Chile, with a domestic market of only 13m people, relies heavily on exports which account for nearly a third of its gross domestic product. It considers itself a "global trader", dividing exports evenly among Europe, the Americas and Asia.

"That's the reason we have all these simultaneous tracks, because we don't want to depend exclusively on one region, one partner or one country," says Mr Salazar. He admits, though, that wooing several partners at once is not without its risks. "Sometimes the message gets confused and people wonder what we're up to."

There is also evidence that the Foreign Ministry resents being excluded from high-profile talks with the US; the official view is that Nafta falls more logically to the Finance Ministry.

Whatever the complications, most exporters – ravenous for better market access – believe Chilean tactics strike a good balance. "It's right that we have different alternatives and discuss these issues at the same time – I see no problem with that," says Mr Claudio García, president of the Chilean-American Chamber of Commerce.

Mr García rejects arguments that the deal with Mercosur could jeopardise negotiations with the US: "I think the Americans know exactly what a free trade agreement with Chile means and I doubt that any other negotiations Chile may be carrying out will change their attitude."

Mr García says that, as well as stimulating trade, accords also provide arbitration mechanisms through which commercial disputes can be settled. Chile is still smarting from the 1989 poisoned grape fiasco when the US imposed a three-week embargo on Chilean fruit after discovering two grapes laced with cyanide. Such an incident, said to have cost $212m in lost revenues, is more readily avoided if there are "clear rules of the game", Mr García says.

Chile signed its first free-trade agreement with Mexico in 1991, after which trade between the two countries grew from $158m to $340m last year. This spurred the signing of similar accords with Venezuela in 1992 and Colombia in 1993, and the opening of talks with several other regional states.

Although Chile had long been suspicious of Mercosur, its attitude slowly changed as it came to realise that it could not ignore Brazil and Argentina, its third and fourth largest trading partners respectively. The relationship was sealed last week with a protocol expected to lead to associate membership for Chile.

Through Mercosur, Chile in turn hopes to win better access to European markets. "We have to belong to one of these major regional schemes so as to negotiate with Europe as a bloc," says Mr Salazar. "It would be very difficult for us to achieve a bilateral Chile-European Union agreement." The view of "fortress Europe" looms large, and Santiago is painfully aware that, alone, it lacks negotiating clout.

In the case of Asia, where Japan is challenging the US as Chile's principal trading partner and where trade is blossoming with countries such as Taiwan and South Korea, Santiago has opted to join Apec. Its hope is that this bloc too will develop into some kind of free-trade area.

That leaves Nafta, the biggest prize of all. Here Chile is hostage to political wrangling in Washington and can do little but wait and see whether the US Congress passes the fast-track authority needed to start formal talks.

"If President Clinton does not get fast-track authority before congressional elections in November, I think we're doomed to take more time. If he does ... there is a probability an agreement will be signed next year," says Mr García.

Mr Joaquín Vial, top adviser to the Finance Ministry, agrees that Chile must recognise its limited negotiating muscle and take its chances as they come. "Opportunities present themselves according to a timetable beyond our control. We are not in a position to say: First Mercosur, then Nafta and then Apec."

If the door is open, he says, one must run towards it. Like many officials, Mr Vial believes that flirting with all and sundry is not just an option – it is a "necessity".

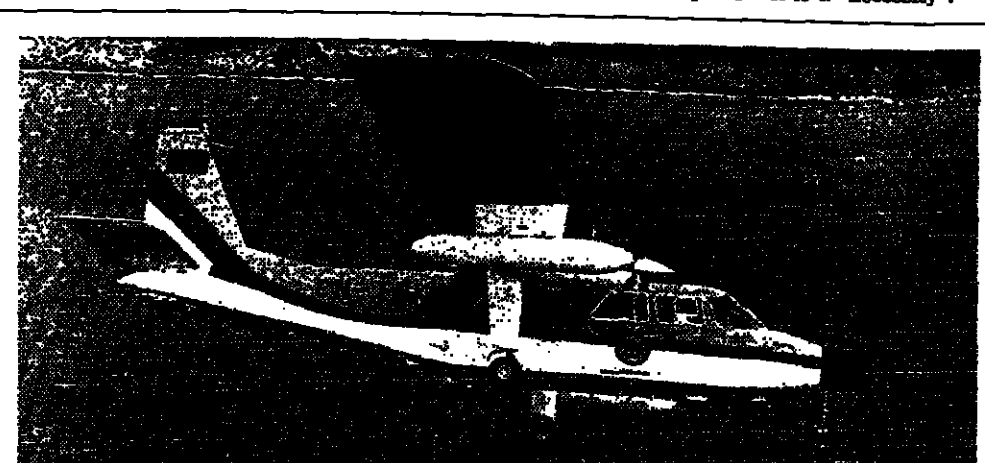
# PBN to upgrade aerospace link with Romania

By Paul Betts, Aerospace Correspondent

Pilatus Britten-Norman (PBN), the manufacturer of maritime patrol, surveillance and small commuter aircraft, is planning to strengthen its ties with the Romanian aircraft industry by either forming a joint venture or taking a stake in Romaero, the Bucharest-based aerospace company.

Romaero has been the main subcontractor of PBN for 26 years building the basic airframe of the Islander and the Defender, the military version of the twin engine propeller aircraft. The Isle of Wight-based company, owned by the Swiss Oerlikon-Buhrle group since 1979, now wants to consolidate its relationship with Romaero, said Mr Anthony Stansfeld, PBN's chief executive.

PBN is about to launch a larger version of its Defender surveillance aircraft at next month's Farnborough Air Show. The launch comes at a time when governments are stepping up their fight against illegal immigration and narcotics and are showing increased interest in patrol aircraft to monitor fishing zones. The fishing dispute in the Bay of Biscay has highlighted the role of maritime patrol aircraft.



The Defender, the military version of PBN's twin-engine propeller aircraft

Demand is also expected to increase with the ratification next November of the Law of the Sea Convention, which will encourage maritime countries to step up protection of their 200-mile so-called Exclusive Economic Zones (EEZ) under the convention.

PBN is also attempting to penetrate the Russian and Chinese markets by negotiating manufacturing agreements with Russian and Chinese aerospace companies. The company believes there is strong potential for its short take-off and landing commuter aircraft in both those markets.

"The idea is for our aircraft to be built in Russia and China," Mr Stansfeld said.

Although PBN now employs only about 190 people, its Islander aircraft has been one of the best-selling commercial aircraft produced in western Europe. Since it was launched in 1967, more than 1,200 aircraft have been sold in 120 countries and about 1,000 aircraft are still in service. The Defender was subsequently developed to expand the Islander's market base into the government agency and military markets.

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# EU directive threat to disabled jobs

By Lisa Wood, Labour Staff

The jobs of hundreds of disabled people may be under threat following a controversial decision by Mr Michael Portillo, the employment secretary, to comply strictly with a European Union directive on competition rules.

Mr Portillo has authorised the withdrawal of government departments from the Priority Suppliers Scheme, a programme that gave some priority to sheltered workshops like Remploy, which employ disabled people, in the award of government contracts.

The move, which followed a European Commission directive on public supply contracts, was bitterly condemned by political opponents of the government as an attack on the disabled.

Mr Alf Morris, a former minister for the disabled said: "The government quotes the EC only when it is convenient to them. They totally ignore the EC on other occasions such as the case of the Social Chapter. I'm certain the EC would not mean this legislation to be applied to the disabled."

The Commission itself expressed surprise at the speedy and unprompted compliance with the directive, which was issued on July 14.

UK appears to have been correct in its strict interpretation of the directive, which forbids special relationships with suppliers. But the Commission said: "We have not approached the government to abolish this system. There could have been other ways of dealing with this situation."

The Priority Suppliers Scheme was set up after the second world war to help workers in sheltered workshops, many of whom were disabled ex-servicemen.

The scheme enabled government departments to offer sheltered workshops the opportunity of matching the lowest tenders put in for contracts.

The Department of Employment yesterday said it was no longer possible for large contracts in excess of £150,000 to be placed under the scheme because of new EC rules on public procurement.

The Department of Employment insisted there were no plans to cut Remploy's state subsidy which will amount to £80m this year.

"The Employment Service is working with Remploy to find ways of avoiding any impact on Remploy workers," said a spokesman.

# Hualon protests to be examined by government

By James Blitz

Sir Patrick Mayhew, the Northern Ireland secretary, said yesterday he would examine objections raised by leading British industrialists over the Hualon corporation's bid to build a textile factory in Belfast.

In a meeting with Mr Nicholas Winterton, the Tory MP and chairman of the Manufacturing and Construction Industries Alliance, Sir Patrick said he would "give full consideration" to claims that the Hualon project could lead to substantial losses in the textile industry on the UK mainland.

However, he gave no firm commitment to review the government's decision to give £61m in aid to the Taiwanese company to build its plant.

He also pointed out that potential job displacement had already been taken into account by ministers, and that state support for Hualon had been approved by the European Commission.

Mr Winterton was accompanied at the meeting by Mr Colin Shoane of the council of British Cotton Textiles and Mr Richard Gilmour, a director of Coats Viyella, the largest textile company in Europe.

Afterwards, the MP said he was pleased that Sir Patrick had allotted more than 90 minutes for the meeting, adding that the ground had been covered "extremely fully".

Textile manufacturers argue that the Hualon project would lead to job losses because of existing over-production of textiles in Europe.

Although more than 1,300 people could be employed by Hualon, it has been described by European businessmen as a "trojan horse" which could allow the South-East Asian textile industry to gain a prized foothold in Europe.

At yesterday's meeting, Mr Winteron emphasised that existing textile companies in Northern Ireland risked losing jobs if the project went ahead.

He claimed that one Northern Ireland company feared it could be "deskilled" through the Hualon operation sucking in its trained operatives.

The Northern Ireland Office reiterated yesterday that there was scope for Hualon to sell products to mainland Europe and the US, substituting products currently imported to Britain from South-East Asia.

In June Mr Edmund Gartside, chairman and managing director of Shiloh, one of the UK's last independent yarn spinners, said the government's decision to help Hualon was "ludicrous" and formed part of a long history of mismanagement of textile trading policy.

# Troop levels move foreseen

The Chief Constable of the Royal Ulster Constabulary, above, said British troop levels on the streets of Northern Ireland could be cut if the IRA declares a prolonged ceasefire.

Ulster Unionist MP Ken Maginnis claimed Sir Hugh Annesley's remarks had been unforgivably careless and suggested he had "outlived his usefulness here".

Sir Hugh said: "If the threat was to tail down, then the level of overt army patrolling on the streets could be tailed down.

"But for anyone to suggest that the army could be removed is naive in the extreme."

# Passport plan for cattle

By Deborah Hargreaves

The government is to consider issuing passports for cattle destined for the export market following the imposition of tighter European Union rules on the sale of beef carcasses to the continent because of fears over mad cow disease, Mr William Waldegrave, agriculture minister, said yesterday.

The EU introduced new regulations three weeks ago stating that beef carcasses cannot be exported from Britain unless traders can show a certificate stating that the animal has not been exposed to BSE (bovine spongiform encephalitis) for the past six years.

Sir David Naish, president of the National Farmers' Union, and representatives of the meat trade, met Mr Waldegrave yesterday to highlight the problems caused by the new rules.

Mr Waldegrave said cattle passports could be introduced on a voluntary basis to speed up the checking of cattle for export. The document would record the name and address of each owner of an animal as well as any auction markets through which it had passed.

The Ministry of Agriculture will also help exporters to trace the history of animals by releasing names and addresses of farms which have not had a case of BSE over the past six years. Sir David said the measures announced were a step in the right direction.

## Britain in brief

### Builders win £3.25bn in contracts

The value of overseas construction contracts won by British companies jumped by 16 per cent last year to £3.25bn. Orders were almost 50 per cent more than in 1991 according to figures published yesterday by the environment department.

The biggest rise was generated from other European Union countries where orders increased from £70m in 1992 to £234m last year. This was in spite of a general decline in European construction output last year.

The department said the rise reflected successful attempts by British companies to break into EU markets through acquisitions, mergers and joint ventures, rather than the award of any single large contract.

The total value of European contracts, including those from non-EU countries, increased by 48 per cent from £184m to £273m. There was also a big increase in Middle Eastern work where the value of new contracts increased from £235m to £400m.

### Record use at Heathrow

London's Heathrow airport had its busiest ever month in July, handling more than 5m passengers, helping push passenger numbers at BAA's UK airports to a record 9.1m.

The Heathrow figure was 8.7 per cent up on July 1993, while the upturn in package holidays took figures for London's second airport at Gatwick up 7.1 per cent to 2.4m.

The biggest sector increase last month was in European charter passenger numbers which rose 14 per cent. UK domestic numbers were up 10 per cent, European scheduled services up 8 per cent and North American numbers up 4 per cent.

### House sales show drop

House sales last month fell by almost a tenth compared with July last year according to a survey of more than 4,000 estate agency offices handling about a half of all sales.

The survey by the Ombudsman for Corporate Estate Agents, covering 26 of the largest estate agency chains, provides further evidence of the slowdown in the housing market which has occurred since early spring.

It said that potential purchasers were concerned about possible rises in interest rates and lacked confidence.

Sales were also 12.1 per cent lower than June this year. A sale is recorded if finance has been arranged, solicitors instructed and no chain is involved. The OCEA began compiling figures in 1991.

### Fishermen win backing

Mr William Waldegrave, minister for agriculture and fisheries, yesterday reassured Cornish fishermen that the Royal Navy was present in the Bay of Biscay to protect them. In a meeting with Mr Mike Townsend, chairman of the Cornish Fish Producers Association and Cornish MPs, Mr Waldegrave said he had tried to clear up misunderstandings about net measurements which had caused two trawlers to be sent back to port.

Mr Paul Tyler, Liberal Democrat MP for North Cornwall, said that, in agreeing to meet the fishermen, Mr Waldegrave had effectively admitted that the Navy had been over-zealous in enforcing European Union rules on drift net size.

### Travel sector escapes probe

The Office of Fair Trading cleared the package travel industry of anti-competitive behaviour and said no formal action against large holiday companies was necessary.

Sir Bryan Carsberg, director general of fair trading, said consumers had a wide choice of competitively priced holidays, despite ownership links between large tour operators and travel agents. He said the links did not prevent smaller companies from selling their holidays.

Sir Bryan added: "Vertical integration may make it more difficult for newcomers to enter the market, but there is no evidence at the moment that any of the leading operators with agency links have been able to insulate themselves from competition."

### Nuclear lab inquiry call

Cumbria county councillors decided to ask environment secretary Mr John Gummer to call in the planning application by Nirex, the nuclear industry's waste body, for a £120m rock laboratory beneath at Sellafield.

The council believes consideration of the plans for the rock laboratory, the first major development associated with Nirex's proposed £2bn underground nuclear waste repository, should be part of a wide-ranging public inquiry into the whole issue of nuclear waste disposal.

### C&G scheme for Lloyds cash

The new scheme put forward by Cheltenham and Gloucester Building Society for sharing out the £1.8bn cash offer from Lloyds Bank would increase the payments to members to up to £13,500 for each qualifying account.

If the revised arrangements – which exclude from payments both borrowers, and investors of recent standing – are still effective in securing the approval of C&G members for the deal, the completion of the transaction could sharpen the interest of other financial organisations in acquiring a building society.

The original announcement in April sparked renewed speculation that banks and others would target societies for agreed takeovers, since it appeared to overcome some of the difficulties previously associated with such bids. But a court ruling which restricted cash payments showed that some of the hurdles in obtaining the necessary high levels of support from society members to such a deal remained in place.

# MANAGEMENT

CHRISTOPHER LORENZ

## New light on the Grail of corporate renewal

Like a politician's perennial promise of light at the end of the tunnel, top managers are forever telling their long-suffering staffs that successful corporate renewal is just around the corner. More often than not, their declarations are as empty as the politician's. The corners prove as unending, and the light illusory.

Westinghouse, the troubled conglomerate which was once the worthy arch-rival of US General Electric and a host of European companies, has declared victory in its battle for strategic and organisational renewal on at least three occasions during the past decade. Each has proved a false dawn: the company has declined further and had to begin the process again.

Westinghouse is far from alone. In the US, Eastman Kodak and IBM have made successive attempts to revitalise themselves, with little success until now. In Europe, most British clearing banks, like several continental *electronics manufacturers*, have encountered similar barriers with successive "change" programmes. In Japan, Mazda, Yamaha and Matsushita have made highly publicised but hitherto ineffective efforts at renewal.

The roots of this corporate sclerosis are intricate and intertwined, but two causes are particularly troublesome. Both are self-inflicted.

First, many top managers fail to recognise how complex their organisations are. Far from being machines which can be changed by the hasty pulling of a few levers, they are complex, organic systems in which – if the desired transformation is to take place – a protracted series of linked actions has to be carried out.

The second reason companies fail to transform themselves, despite any amount of new visions, "re-engineering", and other changes, is because they fail to establish an entirely new internal climate. The "smell of the place", manifest in small details of how the organisation feels and functions, is unaltered.

Sumantra Ghoshal and Christopher Bartlett, business school professors from Insead and Harvard respectively, call this climate the "behavioural context" of an organisation. They say that Westinghouse is trapped in an authoritarian climate where roles and relationships are characterised by four self-reinforcing "Cs": compliance, contract, control and constraint.

By contrast, US General Electric, ABB, Canon and other companies have broken out of this straitjacket and converted to a much more healthy quartet of characteristics: discipline, trust, support and stretch. These have been practised for years by consistently innovative companies such as Andersen Consulting, Intel, Ikea, Kao of Japan, and 3M.

In an article about to be published in the US-based Strategic Management Journal*, Ghoshal

**Discipline is fostered by standards to which employees feel committed, plus rapid feedback**

and Bartlett explain the practical workings of a "quality of management" model which they, with several of Ghoshal's colleagues at Insead, have developed around the four characteristics.

Individually, the four facets of the model will be familiar to readers of literature about the management of change. Like most models, it is also a very simplified representation of reality. But it has two considerable virtues.

First, Ghoshal and Bartlett do not have a behavioural science background – both have worked mainly in strategy, organisation and general management – so their discussion of the differences between the four facets, and the interaction between them, is low on jargon. For instance, they show clearly how discipline and stretch are each ineffective without the other.

Second, they explain how each characteristic can be reinforced by several very practical actions.

● Discipline. Unlike compliance, this does not rely primarily on authority relationships or management policies. In organisations such as Intel and Andersen, self-discipline is encouraged through the careful socialisation of employees and becomes second nature to them. That is a fine distinction, but a vital one. Discipline is fostered by the provision of clear standards to which employees feel committed, plus open and rapid feedback.

● Support. Traditionally, delegation from boss to subordinate is policed by top-down control. By contrast, the academics say that even at disciplined and performance-orientated companies such as Intel and Anderson, managerial relationships are unusually supportive. This atmosphere – usually called "coaching" – also fosters collaboration between colleagues.

● Trust. Instead of increasingly impersonal and distant (or "contractual") relationships, most companies that have been able to renew themselves permanently have built trust and openness into their behavioural climate. To achieve this, fairness, involvement *and levels of* competence *have all* been increased.

● Stretch. In most companies, people's horizons and creativity are constrained by the organisation's relatively low and short-term ambitions. In self-renewing organisations, the internal climate encourages – even induces – employees to strive for far-reaching objectives.

As practising managers will recognise, the model is more challenging than it looks. The creation of an environment which is disciplined and stretching, yet supportive and trusting, is far from simple – especially for people used to taking decisions, rather than helping others make them.

Whatever some top managers may think or pretend, corporate renewal is a long, treacherous and winding road. Above all, it requires their own roles to change. A bunch of relentlessly hands-on drivers must become navigators-cum-social engineers.

**Linking context and action: toward a theory of quality of management. SMJ Summer 1994 special issue (15). Fax (US) 317 463-6746.*

The Church of England is a £630m-a-year operation but it lacks a centralised management structure, writes **Alan Pike**

## Unravelled cloth

The problem with the Church of England, a member of its general synod commented during a debate on the church's financial troubles last month, is that it has 43 different management structures.

Unfortunately, the real problem is that this is an over-simplification. The speaker had in mind the fact that each of the church's 43 dioceses is largely autonomous. That would create enough problems for the central management of any large organisation. But in the Church of England, the central management does not exist.

There is no shortage of structure. In addition to the 43 dioceses there is a policy-making General Synod, the Church Commissioners, the Central Board of Finance, a pensions board and the offices of the Archbishops of Canterbury and York.

Yet the church is a £630m-a-year operation for which no single body has overall managerial responsibility. Church leaders, faced with the biggest financial pressures of modern times, recognise this as a source of inefficiency in decision-making that must be changed.

A variety of interconnected problems came to a head with a £800m slump in the value of the Church Commissioners' assets between 1989 and 1992, caused mainly by over-investment in property.

Although the asset values have since begun to recover, the collapse brought belated recognition that the church had become over-dependent on the commissioners, who contribute to clergy stipends and housing and provide pensions.

Churchgoers are already painfully aware of the consequences for them – parishes must meet more of the clergy pay bill, while dioceses are likely to have to start financing pensions under plans to be published later this year. But the consequences for the way the church is managed will be equally far-reaching.

A commission chaired by Rt Rev Michael Turnbull, incoming Bishop of Durham, is reviewing the entire central organisation and policy making structure, and its relationship with dioceses and parishes.

Commission members began work with a presentation on management structures from Charles Handy, visiting professor at London Business School, discussing with him issues like the fashion for federal organisation in companies. But although the Church of England has in many ways the ultimate federal structure, comparisons with business have limitations.

"We have an organisational structure that in some senses is very progressive and accords with modern management thinking – indeed, a number of fashionable terms like mission statement and subsidiarity have religious origins," says Philip Mawer, general secretary of the Church of England general synod and a former senior civil servant.

"But even in federally structured companies, there are ways for the central management to exercise control. The downside of our highly dispersed and locally-based structure is that we do not have arrangements at the centre to pull the threads together. There is no Church of England board."

Famous churches, such as Westminster Abbey, have become tourist attractions

Although Bishop Turnbull has described the existing structure as "clumsy and cumbersome", his commission is unlikely to propose simply sweeping it away when it reports next year – that could be a recipe for a debate lasting a decade. Radical change is, however, possible. One idea being discussed would amalgamate the officials of bodies like the synod and Church Commissioners into a single central support staff.

A similar approach could apply locally, creating Church of England area offices to provide services to groups of bishops and dioceses. As well as saving on administration costs, this form of organisation would increase the scope for spreading common policies – and more of a "corporate culture" – within the fragmented structure.

Two reports to be published in advance of Turnbull this autumn will increase pressure on the church to adopt a more overtly managerial style.

A study of clergy conditions of service will address the future of the freehold system, by which most incumbents have total job security until they choose to move or to retire. That is likely to lead to more formal ways of dealing with individuals who underperform.

The second report will consider the way cathedrals are run. Famous historic churches are not only places of worship – many are large tourist attractions competing in increasingly commercial style for a share of the leisure market.

The extent to which such business activities have moved beyond bookstalls and brass rubbing is illustrated by the Westminster Abbey Experience currently being offered to visitors to London. It is a mixed-media show in a temporary auditorium alongside the abbey which, by using archive film and a replica Coronation Chair, "draws on techniques more familiar to theme parks and the theatre", as the authorities admit.

Yet cathedrals are run by dean and chapter in a managerial style that appears as ancient as most of the buildings. With members of the commission producing the report including Ian Hay Davison, chairman of Storehouse, and Peter Burnham of Coopers & Lybrand, a more business-like approach to the church's commercial activities may well be recommended.

Ultimately, however, the church is not a commercial organisation but a voluntary one. While, in common with many charities, it faces pressures familiar to private- and public-sector managers, its viability depends ultimately on financial support from individuals. There are dangers that this might be jeopardised by an excessively professional, businesslike style.

Cut your coat according to the cloth may be a basic management commandment, but it will not prove an easy one for the men and women of the cloth to follow.

# PEOPLE

## Lunn's last order at J.D. Wetherspoon

J.D. Wetherspoon, the fast-growing chain of pubs whose reputation is based on cheap beer and no juke-boxes, is having growing pains. Keith Lunn, 38, who was responsible for the day-to-day running of the 87-strong chain, has quit as retail director.

Tim Martin, the 39-year-old founder of the group, said that Lunn's departure had been "mutually agreed". Lunn, who had been with the group for four years, is the first main board executive director to quit since it was floated on the stock market in October 1992. A few months ago Martin's younger brother, Gerry, left the group in order to run his local pub in Barnet.

Martin refused to elaborate on the company's brief statement to the stock exchange. However, it is believed that Lunn's departure may have been prompted by the arrival of Mark McQuarter, 34, who joined as Wetherspoon's first managing director in May. McQuarter, a Scottish chartered accountant, had worked for NatWest's venture capital arm in Scotland and before that had been with Scottish & Newcastle Breweries.

Lunn is not being replaced on the main board but his operational responsibilities will be undertaken by John Hutson, 29, a general manager who joined the group in January 1991.

Since the company came to the stock market just under two years ago, its profits have grown rapidly and its stock market capitalisation has more than trebled to £140m. Wetherspoon is one of the first of a new generation of specialist pub retailers and has made a name for itself by developing new pubs out of vacant bank branches or empty supermarkets. Apart from its special retailing format, its skills are said to lie in its ability to win planning permission and get its outlets licensed. The number of its outlets has doubled since flotation and it is planning to open another 20 in the coming year.

In March it raised £22m in a rights issue and analysts are expecting the company to increase its profits from £4.2m to £6.2m when it reports its results for the year which has just ended.

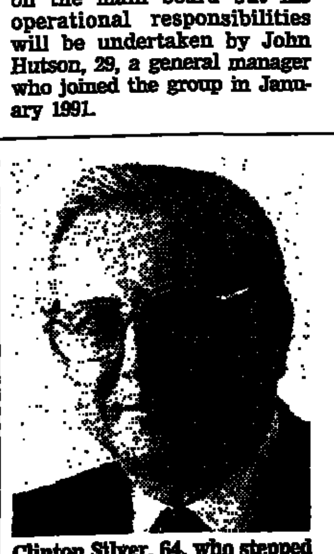
## Turkey, Israel, Portugal. . . and Switzerland

UBS, keen to build up its southern and eastern European emerging markets business, has reached into those markets it finds most promising to recruit a new team of analysts.

Emre Yigit, formerly head of research at Turkish securities firm Global Securities, will cover that region at UBS. Gidon Yardeni, formerly a senior analyst at Tel Aviv-based Pacific Mediterranean Investment Company, will follow Israeli companies, while Pedro Fonseca, an analyst at Finantia, a leading Portuguese investment bank, will provide research on Portuguese companies.

Gary Rigby, managing director of equity emerging markets at UBS, says that while Turkey, Israel and Portugal may not immediately spring to mind as the hottest emerging markets of 1994, there is considerable investor interest in all three. Turkey, he notes, was the top performing emerging market in the second quarter of 1994, although he concedes that in the first quarter it was about the worst.

And despite the fact that a number of Israeli companies are listed on US-based Nasdaq, European investors have relatively little access to information about them, he says.



Clinton Silver, 64, who stepped down as deputy chairman of Marks & Spencer at the end of last month, has joined the board of Tommy Hilfiger Corporation, a fast-growing US company which specialises in designing and marketing sportswear for men and boys.

Tommy Hilfiger, the principal designer and honorary chairman, was a small-town boy who went to New York as a freelance designer in 1979 and has been likened to Ralph Lauren. He founded the company in 1989 with financial backing from Apparel International Holdings, which is now the company's majority shareholder.

The company's shares were floated on the New York Stock Exchange in September 1992 and have more than doubled in value. The company's revenues rose 64 per cent to $227m in its last financial year and Tommy Hilfiger products are sold through 480 in-store shops.

Silver (above), who spent 42 years at Marks and Spencer, will help guide the company's long-term plans for international expansion in Europe and the Far East.

■ Dairy Crest, the processing arm of the Milk Marketing Board, has announced the appointment of Michael Dowdall as chairman. Dowdall will see the company through its flotation next year after the abolition of the board in November and the deregulation of Britain's £3.3bn milk business.

Dowdall, 64, is currently chairman of the Gaymer group and Geest, the bananas and food processing company. He is also a director of BPB Industries and NFU Mutual Insurance company.

He succeeds Geoffrey John who has presided over Dairy Crest's transformation over the past six years from a government organisation into a commercially-run company and who will remain as deputy chairman to oversee the hand-over. John says he was unable to devote enough time to issues concerning the flotation.

Dowdall will bring strong operational skills to Dairy Crest. He retired as a director of Unilever in 1991, but while there built a reputation as a strong manager. As detergents co-ordinator, he was responsible for merging all of the company's European national detergent businesses into one operation.

"He'll do a bit more than just chair meetings," says one former colleague.

## Foresight saga

The government's Office of Science and Technology has appointed scores of advisory committees during its two years in existence. But never before has one had the style and glamour of the Technology Foresight Panel announced this week to cover the "learning and leisure sector".

Its chairman is Peter Wallis. Peter who? Wallis is better known as the author, broadcaster and style guru Peter York, who coined the famous term Sloane Ranger. Other members include: David Puttnam (above), the film director; Janet Street-Porter of the BBC; Anthony Smith, president of Magdalen College, Oxford; Neil Chalmers, head of the Natural History Museum; and Alexander Korda, guru of hi-tech venture capital.

The panel is one of 15 appointed by the Cabinet Office to look at prospects for technological progress in its sector and match these with the strengths and weaknesses of British industry. By the end of the Technology Foresight exercise next year, the government hopes to have a list of priorities for research within and across all sectors of science and business.

Wallis/York says his panel would look particularly at "the fast growth area of new electronic and education media. The contribution these can make to national income but also to our quality of life is not always fully recognised – partly because the businesses are so varied but also because they cut across many traditional areas of industry."

Puttnam adds: "We are in reach of the 'fully wired home' in which not only conventional entertainment but interactive education and information services will be available on demand – at a price."



# LEGAL NOTICES

Notice of appointment of liquidator
Voluntary winding up
(Members or Creditors)
Pursuant to Section 109 of the Insolvency Act 1986

Company Number: 2168317. Name of Company: Bloomsbury Realisations (No.3) Limited. Previous name of company: J S Gadd & Co Limited, Pathvine Limited. Nature of business: Financial Services. Type of liquidation: Members. Address of registered office: St Andrew's House, 20 St Andrew Street, London EC4A 3AY. Liquidators names and addresses: Malcolm John London & Adrian Richard Stanway, Coopers & Lybrand, St Andrew's House, 20 St Andrew Street, London EC4A 3AY. Office holder numbers: 2082 and 2665. Date of appointment: 4th August 1994. By whom appointed: Members.
Signed: Malcolm John London
Adrian Richard Stanway
Dated: 4th August 1994
Description: Chartered Accountants

ADVERTISEMENT TO CREDITORS TO SUBMIT CLAIMS
THE INSOLVENCY ACT 1986
SG INVESTMENT MANAGEMENT LIMITED
(IN MEMBERS VOLUNTARY LIQUIDATION)

NOTICE IS HEREBY GIVEN that the creditors of the above named company are required on or before the 3rd day of September 1994 to send in writing their names and addresses and the particulars of their debts or claims, if so, to Malcolm John London of COOPERS & LYBRAND, St Andrew's House, 20 St Andrew Street, London EC4A 3AY the joint liquidator of the said company, or in default thereof they will be excluded form the benefit of any distribution made before such debts are proved.
Dated this 4th day of August 1994
Malcolm John London
Joint Liquidation
This notice is formal: all know creditors have been paid or provided for in full.

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THE INSOLVENCY ACT 1986
BLOOMSBURY REALISATIONS (NO.3) LIMITED
(IN MEMBERS VOLUNTARY LIQUIDATION)

NOTICE IS HEREBY GIVEN that the creditors of the above named company are required on or before the 3rd day of September 1994 to send in writing their names and addresses and the particulars of their debts or claims, if so, to Malcolm John London of COOPERS & LYBRAND, St Andrew's House, 20 St Andrew Street, London EC4A 3AY the joint liquidator of the said company, or in default thereof they will be excluded form the benefit of any distribution made before such debts are proved.
Dated this 4th day of August 1994
Malcolm John London
Joint Liquidation
This notice is formal: all know creditors have been paid or provided for in full.

ADVERTISEMENT TO CREDITORS TO SUBMIT CLAIMS
THE INSOLVENCY ACT 1986
BLOOMSBURY REALISATIONS (NO.2) LIMITED
(IN MEMBERS VOLUNTARY LIQUIDATION)

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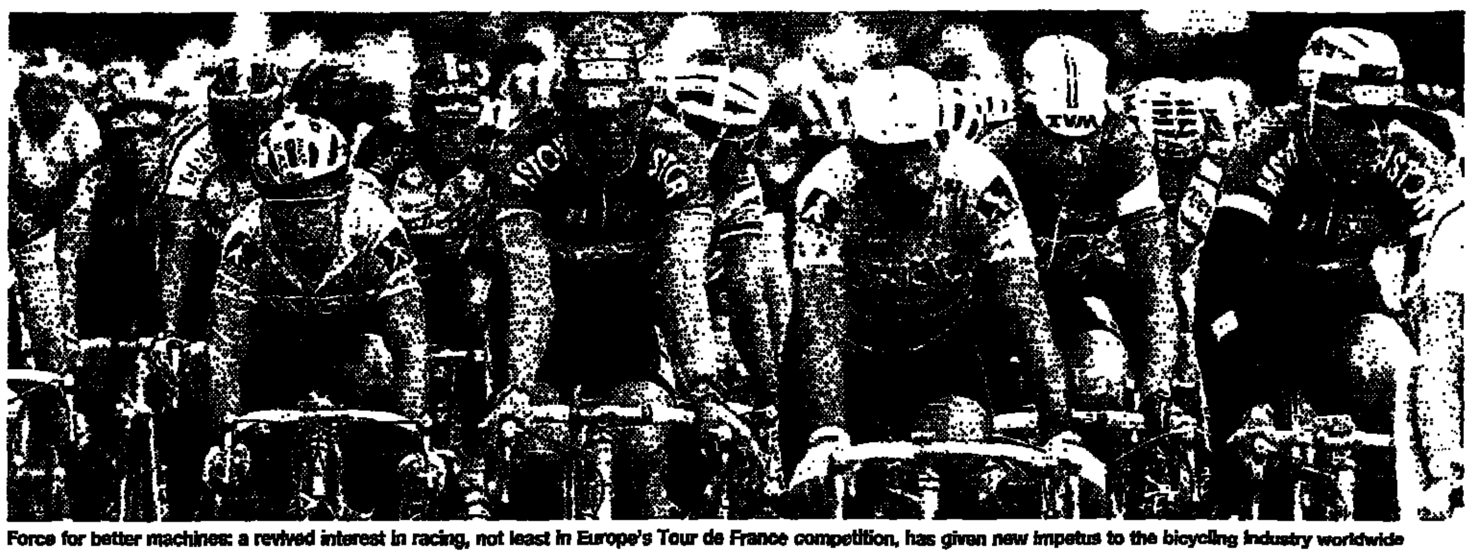
Dated this 4th day of August 1994
Malcolm John London
Joint Liquidation
This notice is formal: all know creditors have been paid or provided for in full.

ADVERTISEMENT TO CREDITORS TO SUBMIT CLAIMS
THE INSOLVENCY ACT 1986
BLOOMSBURY REALISATIONS (NO.1) LIMITED
(IN MEMBERS VOLUNTARY LIQUIDATION)

NOTICE IS HEREBY GIVEN that the creditors of the above named company are required on or before the 3rd day of September 1994 to send in writing their names and addresses and the particulars of their debts or claims, if so, to Malcolm John London of COOPERS & LYBRAND, St Andrew's House, 20 St Andrew Street, London EC4A 3AY the joint liquidator of the said company, or in default thereof they will be excluded form the benefit of any distribution made before such debts are proved.
Dated this 4th day of August 1994
Malcolm John London
Joint Liquidation
This notice is formal: all know creditors have been paid or provided for in full.

# TECHNOLOGY



Force for better machines: a revived interest in racing, not least in Europe's Tour de France competition, has given new impetus to the bicycling industry worldwide

## Riders on a storm

### Small shops have fired the biking revolution, writes **Victoria Griffith**

When Christopher Chance began making high-end mountain bikes in Somerville, Massachusetts, in 1982, he had no idea he would be part of a technology revolution the likes of which the sector had not seen since the 1800s.

"I loved mountain biking," he says. "So I decided to get into the business. I was aiming for better performance, so I just kept on experimenting with things, how to get a stronger, lighter bike with better suspension."

Today, Chance's company, Fat City Cycles, is one of a score of manufacturers – including Kona, Specialized, Cannondale, Giant, Trek and Marin – at the cutting edge of bicycle production. Many, like Chance, started out as small entrepreneurs fiddling around in sweaty shops. Those small shops, however, invented new techniques which lit a fire under the industry.

"The amazing technological improvements we've seen over the last 20 years in bicycles were led by small entrepreneurs looking for ways to improve the ride," says William Strickland, editor of Bicycling magazine. "Those little changes added up to big advances."

Unlike in Europe, where bicycles have always been used as a mode of transportation, the US market was mostly limited to children and enthusiasts until the 1970s, when interest in "road bikes" – bicycles used on footpaths – picked up.

That renewed interest in bicycles turned to fervour in the 1980s, when the introduction of mass-produced mountain bikes transformed the sector from a sleepy, old-fashioned market to an industry serving one of the hottest new sports of the decade. At the end of 1993, there were 100m cyclists in the US, 33 per cent more than in 1983, according to the Bicycle Federation of America. Mountain bikes were the overwhelming favourite, comprising about 95 per cent of all bicycle sales in the country last year.

Because mountain bikes are used in more demanding circumstances than road bikes, there was soon a push for improved technology. Makers derived inspiration from motorcycles, automobiles, even aeroplanes. Later, the advances were used in road bikes and the new hybrids, a cross between a mountain and a road bike.

With the advent of mountain bikes, manufacturers started concentrating on suspension, since riders have to negotiate rocks and bumps as smoothly as possible. They borrowed the idea of front and back forks from motorcycles.

Front suspension forks caught on quickly, but full suspension bikes have presented performance problems. "It's not like a motorcycle, where you can just turn up the throttle," says Chance. "The bike depends on the rider's energy, and the early full suspension models required users to put out more energy to make the bike move." With so much resistance between themselves and the tyres, riders found the bicycles tiring, and complained of an awkward bobbing sensation when pedalling.

The industry has just begun to overcome the problems of full suspension by making adjustments in braking and chain tension, and by shifting the pivot point where the suspension attaches to the frame. With many of the wrinkles ironed out, full suspension bikes are enjoying vastly increased sales.

Another source of impetus for better bicycles is the revived interest in racing. Like car companies, bicycle manufacturers are hooking up with racers to market their products and to gain inspiration for technological advances. "Our racing team rides all over the world in all kinds of weather and on all types of terrain," says Thomas Armstrong, head of marketing for Cannondale. "They give us feedback on the bikes so we can make improvements."

One of the main concerns in bike racing is obtaining the lightest frame possible to take competitors speedily to the finish line. The materials used in racing bikes are usually expensive, but as costs dwindle, they filter down to the general public.

In the 1980s, for instance, the price of aluminium frames, which are lighter than steel, dropped substantially, and these were adopted by the mass market. Now, aluminium is being challenged by titanium, a strong and even lighter material. Titanium itself may be replaced by exotic materials such as carbon fibre, beryllium and AerMet, a steel alloy used in the landing gear of aeroplanes. Manufacturers are also starting to experiment with thermoplastics.

Anyone who has not been in a bicycle shop in the past few years would today be amazed, and probably a little confused, at the options in components. A new disc brake is ideal for downhill riding, because it doesn't heat up as much as traditional brake pads. Brake pads, too, are being refined in shape and materials for better braking power.

Grip pedals are also a novelty in the bicycling shops. Based on ski bindings, the pedals hook into specially designed shoes.

Serious enthusiasts have access to a slew of other products, such as a new biking shoe which incorporates a system to tighten and loosen tension. And for a softer saddle, a buyer might opt for a new seat by Selle San Marco, which contains the state-of-the-art Dupont thermopolymer Hytrel.

New manufacturing technologies are less sexy, but just as important. Fat City, for instance, uses a method which thins out metal in the middle of the tube, and adds extra thickness at the ends, which come under the most stress. The process makes the bicycle lighter and stronger.

The drawback of these technologies is cost. A sophisticated bicycle can cost $10,000 or more, beyond the reach of most consumers. Moreover, shop owners say many consumers purchase far more sophisticated items than they really need.

"The industry is really getting ahead of itself in the technology area," says John Balmer, product manager of Kona in Washington state. "For the kind of riding most people do, a lot of these things are just not necessary. I think there's going to be a re-focus in the industry on durability and safety features over the next decade, while we absorb some of the technological advances made in the 1980s."

*INTERNATIONAL AIDS CONFERENCE*

## Trials raise hope of breakthrough drug

### **Paul Abrahams** on a crucial therapeutic distinction

**Aids**

During the last decade, average life expectancy of patients diagnosed with Aids in the developed world has increased from six months to more than three years.

Most of the progress has been not in the treatment of HIV, the virus that leads to Aids, but of the opportunistic infections associated with Aids that eventually cause death. The most common include PCP, a form of pneumonia, MAC (Mycobacterium Avium Complex), cytomeglovirus (CMV), a form of herpes, and tuberculosis.

Among the opportunistic infections, CMV retinitis is particularly feared by Aids patients, because it can cause permanent blindness. Once patients have been diagnosed with Aids, between 20 per cent and 30 per cent develop CMV retinitis each year.

However, Syntex, the Californian-based company being acquired by Roche of Switzerland, appears to have made a breakthrough in the treatment of the disease.

It has been testing an oral version of one of its top-selling drugs, Cytovene, to see if the medicine can prevent the development of CMV retinitis.

Aids activists had expected interim results of the trial, which was started in December and originally due to finish next summer, to be presented at the 10th International Conference on Aids in Yokohama.

But Syntex said it was not yet prepared to provide details. The US Federal Trade Commission is still investigating Roche's $5.3bn (£3.4bn) takeover of Syntex and has until later this month to make its decision. The medicine, which last year generated sales of $85.5m, is already used to treat patients once CMV retinitis has developed.

An independent advisory group monitoring the trial has told Syntex it should prematurely stop giving dummy drugs to people on the trial. The US Food and Drug Administration has also given its consent to stop that wing of the study.

The decision was made on ethical grounds after it was discovered only 17 per cent of those on Cytovene developed the disease, compared with 30 per cent on the dummy drug. About 725 people were involved in the trial.

Scientists nevertheless warned that although the drug appeared highly effective, there remained concerns about Cytovene's safety when used with other medicines.

A new oral version of Cytovene was used in the trial. The drug has until now been administered intravenously to patients who have already developed CMV retinitis through a permanent catheter in the chest.

The oral version is also being tested for patients who have already developed CMV retinitis. Three trials just completed showed that when taken orally not as much of the drug becomes available as when given intravenously, meaning the oral version is slightly less effective.

The oral version delays another onset of the disease between 51 days and 57 days. That compares with 62 and 67 days for the intravenous version. However, the oral version has fewer side-effects and has significant quality of life benefits.

Another increasingly common, devastating and lethal disease in late-stage Aids patients is mycobacterium avium complex, a bacteriological disease that during two years affects about 31 per cent of HIV-positive patients at an advanced stage of the disease.

The main therapy available to prevent the disease is Rifabutin, a treatment marketed in Europe by Pharmacia of Sweden. In two large trials involving 1,146 patients, only 48 people on Rifabutin developed MAC, compared with 102 on placebo. But 16 per cent of patients stopped taking the drugs because of toxicity and other reasons.

Preliminary results of a study presented at the conference suggested Abbott's Biaxin may have fewer side-effects and be more effective.

Mark Pierce of Vanderbilt University presented details of a trial of 682 patients with advanced Aids. Although the breakdown between placebo and active drug has not yet been completed, only 5.7 per cent of patients dropped out because of adverse effects.

In all, only 57 of the patients on both placebo and the drug developed MAC, compared with a predicted 87 if all were on placebo. That meant a possible 80 per cent reduction for those on the drug compared with the expected levels on placebo, claimed Pierce. The full results could be ready as early as October, he added.

Wasting disease is a further serious problem for Aids patients, with body cell mass falling below a level capable of sustaining life. The answer is not eating more, which does not consistently restore weight, and often, at best, increases fat rather than vital lean tissue.

However, a trial was presented in Yokohama which suggested Saizen, Ares-Serono's recombinant human growth hormone, used on undersized children, could be an effective treatment for the condition.

Preliminary findings were given from a 12-week study of patients with HIV-associated wasting. Before the trial, the 78 patients who finished the study had lost on average 11kg of their previous weight.

Those on Saizen increased their weight by 1.5kg of lean tissue, while those on placebo gained weight which then continued to fall.

The trial indicated there was no difference between the two groups in the development of Aids diseases or death. Those who have been on the drug for two years on average gained more than 10kg.



**LEGAL NOTICES**

Notice of appointment of liquidator
Voluntary winding up
(Members or Creditors)
Pursuant to Section 109 of the Insolvency Act 1986

Company Number: 2166430. Name of Company: SG Investment Management Limited. Previous name of company: Acremile Limited. Nature of business: Financial Services. Type of liquidation: Members. Address of registered office: St Andrew's House, 20 St Andrew Street, London EC4A 3AY. Liquidators names and addresses: Malcolm John London & Adrian Richard Stanway, Coopers & Lybrand, St Andrew's House, 20 St Andrew Street, London EC4A 3AY. Office holder numbers: 2082 and 2665. Date of appointment: 4th August 1994. By whom appointed: Members.
Signed: Malcolm John London
Adrian Richard Stanway
Dated: 4th August 1994
Description: Chartered Accountants

Notice of appointment of liquidator
Voluntary winding up
(Members or Creditors)
Pursuant to Section 109 of the Insolvency Act 1986

Company Number: 1846041. Name of Company: Bloomsbury Realisations (No.2) Limited. Previous name of company: J S Gadd Services Limited. JS Gadd Holdings Limited. Nature of business: Financial Services. Type of liquidation: Members. Address of registered office: St Andrew's House, 20 St Andrew Street, London EC4A 3AY. Liquidators names and addresses: Malcolm John London & Adrian Richard Stanway, Coopers & Lybrand, St Andrew's House, 20 St Andrew Street, London EC4A 3AY. Office holder numbers: 2082 and 2665. Date of appointment: 4th August 1994. By whom appointed: Members.
Signed: Malcolm John London
Adrian Richard Stanway
Dated: 4th August 1994
Description: Chartered Accountants

Notice of appointment of liquidator
Voluntary winding up
(Members or Creditors)
Pursuant to Section 109 of the Insolvency Act 1986

Company Number 2226767. Name of Company: Bloomsbury Realisations (No.1) Limited. Previous name of company: JS Gadd Holdings Limited. Samplesolve Limited. Nature of business: Financial Services. Type of liquidation: Members. Address of registered office: St Andrew's House, 20 St Andrew Street, London EC4A 3AY. Liquidators names and addresses: Malcolm John London & Adrian Richard Stanway, Coopers & Lybrand, St Andrew's House, 20 St Andrew Street, London EC4A 3AY. Office holder numbers: 2082 and 2665. Date of appointment: 4th August 1994. By whom appointed: Members.
Signed: Malcolm John London
Adrian Richard Stanway
Dated: 4th August 1994
Description: Chartered Accountants

# PROPERTY

## Fillip for the young ones

### Low prices are attracting first-time buyers, says **Emiko Terazono**

While Japan's commercial property market is still in the trough of a four-year slump, the residential sector is enjoying a fillip. Developers, burdened with unsold residential properties, are flooding the market with low-cost flats. Sales are brisk.

This uplift has provided relief for property developers, which have been severely affected by the first sustained fall in land prices since the second world war; and the government, which hopes a pick-up in housing sales will help lead the economy out of recession.

The sharp rise in sales of flats has been helped by record low mortgage rates – currently 4.05 per cent, down from 5.5 per cent in 1990 – coupled with an expansion in the government's subsidised loan programme for house purchases.

During the first six months of this year, a record 34,109 flats came onto the market; in July alone, the number of flats offered by developers jumped by 150 per cent on the same month in 1993, to 10,179, with 85 per cent of total supply sold.

The slide in the market following the speculative bubble of the late 1980s has also led to a slump in the price of flats. An average three-room flat in the outskirts of Tokyo declined by 25 per cent from Y60m to Y40m between 1990 and 1993, making it affordable for many Japanese for the first time.

Yet the recovery is fragile because prices continue to fall as domestic property sales increase. Despite this rise in sales, surplus supply and vacancy rates continue to shoot up.

The rise in residential sales has also increased competition, with commercial property developers, facing a continued slump in office rents, lured back into the market.

According to the research arm of Haseko, a leading residential-sector developer, annual demand for flats during the next five years is expected to rise to 45,000 units; but this year alone, 80,000 flats are expected to come onto the market and analysts believe this over-supply will persist for at least three years.

Ms Keiko Ohtsuki, real estate analyst at Morgan Stanley, a US investment house, says that in spite of some price stabilisation in the six months to June, the general downward price trend is likely to continue in the medium-term. As a result, developers, enjoying improved revenues after several years of poor earnings, are likely to be forced to further cut their prices for flats, again squeezing their profit margins.

The supply of new flats has had a significant impact on the prices of existing residential properties and on the rental markets. Buyers in Japan generally prefer to purchase new housing and low-interest loans have attracted first-time buyers from the rental market in significant numbers. In central Tokyo, housing rents are down by between 10 per cent and 20 per cent from their peak in 1990 and, with the market favouring the consumer, many landlords are willing to negotiate even larger discounts.

As with residential prices, commercial property values have also yet to bottom out. Recession-induced corporate restructuring has depressed demand for office space, in particular for high-grade accommodation in central Tokyo. According to Ikoma Data Service, a property research company, vacancy rates in Tokyo have risen to 8.9 per cent from 5.9 per cent a year ago. Development projects started at the peak of the market in the late 1980s are now coming onto the market, exacerbating the glut in office space. Office rents have also fallen by between 30 per cent and 50 per cent from their peak in 1990.

With office constructions in leading cities down 47 per cent last year compared with 1992, many in the industry, such as the Japan Real Estate Institute, a think-tank, say it will be another 18 months before the office glut eases.

At the same time, market liquidity remains a problem, with developers still reluctant to off-load commercial real estate bought at the market peak in the late 1980s for fear of incurring losses. That is a chief reason why industry analysts believe the easing of the over-supply does not necessarily point to the recovery of the market overall.

The stagnant commercial property market remains at the core of the problems at Japan's banks, as the vast bulk of their lending was extended against over-valued land. Banks remain burdened with bad debt write-offs following their disastrous foray into property lending in the 1980s.

In response to their bad debts, banks last year set up the Co-operative Credit Purchasing Corporation. Under this scheme, banks sell their bad loans to CCPC at a discount, writing off the difference. When CCPC was set up in May last year, it bought the banks' bad debts at a 34 per cent discount based on the collateral value. More recently the CCPC has been buying banks' bad debts at a discount of 64.6 per cent.

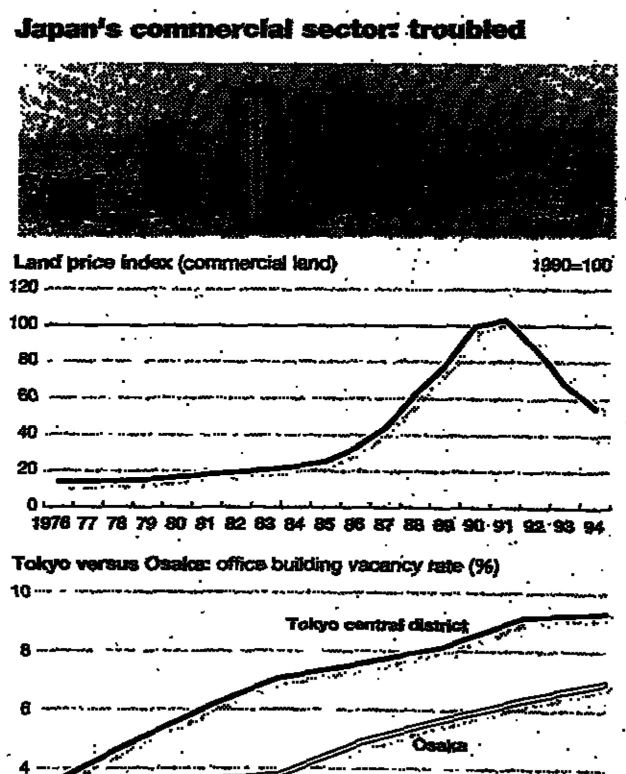
Some market observers say the prolonged downturn of the commercial property market, and the increasing costs of maintaining land assets, may induce investors to change their investment culture, by shifting their focus away from capital gains and towards a property's income-generating potential. But such a change is likely to come about slowly.

Reluctant to sell their assets – owning land is an important status symbol to the Japanese – but at the same time forced to clear their balance-sheets, some investors are selling their holdings to affiliates or other enterprises within the same corporate grouping at artificially high prices.

Nevertheless, many Japanese companies will eventually have to succumb to the cost pressures and to abandon their wait-and-see strategy.

As Mr Akitoshi Takatsuki, a researcher at Sakura Bank, a leading commercial bank, puts it: "Companies and investors are aware of the further downside risk of the market, but they are scared to change their ways. To do so would open a Pandora's Box of problems."

**Japan's commercial sector: troubled**




Source: Japan Real Estate Institute, Ikoma Data Service

مكررا في الاصل

# ARTS

Listening to Shakespeare's three *Henry VI* plays, you can believe that they may indeed be his earliest extant work. The verse is remarkably regular in its iambic pentameter pulse, sentences almost always reach their close at the close of a verse line, imagery is eloquent but simply wrought. There are several striking characters – including the raging Queen Margaret, the deformed and ruthless young schemer Richard Duke of Gloucester, and the contemplative but ineffectual King Henry himself – but they lack the line-by-line psychological mobility of later Shakespeare creations. Several speeches are plainly set pieces; several scenes, too.

I say this, but I have never previously felt that way while watching. Now, however, the director Katie Mitchell has mounted a version of *Henry VI – Part Three* for the RSC, in which she has elicited an unusually contained performing style from her actors. Gone is the searing intensity associated with these plays since the famous RSC *Wars of the Roses* staging 30 years ago (starring Peggy Ashcroft, David Warner, Ian Holm, Donald Sinden) and the vivid epic style that endured through to Adrian Noble's *Plantagenets* trilogy in 1988-89. Mitchell, it seems, wants to show this play's formality of pulse and structure; wants to hold the characters' intensity of feeling within the orderly forms accorded them; wants a style labelled "Early Bard". The characteristics of this style are evenness of rhythm, a generally muted *andante moderato* way of speaking, and a studious formality of gesture.

It works – though it is close to being underwhelming. No individual performances make any special impact; the winner is Shakespeare (though his text has been stylishly adjusted, and cut), Shakespeare the historian.

This staging, which will tour, is currently at The Other Place in Stratford. Most of the cast are new to the RSC, and lack Shakespearian experience. There are times, especially in Part One, when you wish Mitchell has urged them to greater dynamic variety. And why on earth has she (or her movement man Paul Allain) taught almost every actor the same contrived Slow Gesture? This involves taking two seconds in raising a formally extended arm to achieve a big pointing gesture (the way that Lapotaire does in Mitchell's 1993-94 RSC staging of *Ghosts*). The actors have also learnt how, when turning the head 30 degrees from looking at one character to another, to take two seconds about that too. And oh! De-dum-de-dum-de-dum-de-dum-de-dumb: they speak their iambic pentameters as if following a metronome.


Formality of gesture and evenness of rhythm: Jonathan Firth, Stephen Simms and Lloyd Owen Alastair Muir

## Henry V1 - the Battle for the Throne

### Alastair Macaulay reviews Katie Mitchell's new production for the RSC

Jonathan Firth turns Henry VI's mildness into sheer dullness; Stephen Simms as Richard Duke of York is little better; and Lloyd Owen as Edward IV, despite a voice whose calm utterance is as charming as Miles Kington's, is worse. Is Mitchell telling us that Shakespeare means these characters to be history's pawns, not its makers? Maybe so, but he put more ichor in their veins than she allows them.

Now and then, whenever the text suggests a more developed dramatic method, Mitchell lets some characters emerge more forcefully. (Mature Bard.) Richard's soliloquies loom out with surprising modernity. Yet Mitchell has scaled him down too. Tom Smith plays him as if he were Young Wackford Squeers in *Nicholas Nickleby*, without wit or intelligence, lasciviously gratifying himself with his mean fantasies of future power.

There is a certain amount of "realistic" business. Richard of Gloucester has one physical shtick: he chews his finger meanly, even when it's clad in armour. The Duke of Exeter stammers over key consonants. And – in a time-honoured bit of RSC tradition that goes back to Ashcroft – Queen Margaret (the vehement Ruth Mitchell) retains some of her old French accent, especially some of her French Rs. But these devices are unusually laboured here. They stick out amid the widespread classical restraint, as if Mitchell were demonstrating that Shakespeare did not yet know how to make these characters more complex.

For Mitchell, this play of civil war represents a break in style from the several domestic interiors (*Vassa Zheleznova*, *The Dybbuk*, *Ghosts*, *Rutherford and Son*) that she has recreated so finely. Rae Smith's designs are a model of expressive economy, and Tina MacHugh's lighting is beautifully atmospheric in its subdued way. Latin chants, arranged by Helen Chadwick, play an important role here. This staging makes me impatient to see the RSC put on the *Henry VI* plays and *Richard III* as a tetralogy; and though I am impatient with some features of Mitchell's direction it would be interesting to see her sense of history shaping all four plays.

**At The Other Place, Stratford-upon-Avon. Touring in England and abroad from September to December.**

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Ballet/**Clement Crisp**

## Coppélia

Always let your conscience be your guide. This may be sound moral advice, but in ballet it should take second place to letting music be the guide. By and large, our dancers, choreographers, producers, have been musically sensitive in the past – it was a virtue instilled into our fledgling ballet in the 1930s by Constant Lambert. (Lambert, that superb musician and conductor, that dazzling arbiter of taste, sacrificed something of his own self as composer in serving the Sadler's Wells Ballet. Without him as artistic guide and musical conscience, our national ballet would have been far less good).

Musical things have got more brutish of late: scores mauled by obstinate creators, a plethora of junk composition, dancers ploughing through the classics as if tobogganing down a slope. There is no excuse, except arrogance and bad musical education, for the mayhem lately committed on *Sylvia* or the sound-track provided a few years ago for *Frankenstein*, or the recent bloodbath of *Don Quixote*. And in not listening carefully to the ineffable charm of Delibes' *Coppélia* music, English National Ballet's cast on Monday night were minimising everything they did.

ENB ends it summer season on the South Bank with this week's run of that dear and sunny masterpiece. Perhaps the hideous muddle of the Festival Hall itself – a shopping mall in Hades, with its restaurants and bars and stalls and side-shows of amateur dancing and exhibitions of the unlovely and trumpery – has percolated onto the stage. Certainly, the performance of *Coppélia* I saw, led by Agnes Oaks and Thomas Edur, was brisk, jolly, unsubtle, and fatally unresponsive to the music's grace.

Delibes' score *must* be the guide, and Ronald Hynd's staging really knows this. Hynd was inspired by two great Swanildas – Pamela May, Alexandra Danilova (his wife, Annette Page, was also enchanting). The wit and musical responsiveness of such performances echo in this staging, but briskness and peasant jollity (acceptable in its place, but an unrelenting companion all evening) now ride unrestrained through the action. I longed for delicacy, for some expansiveness of style, in almost every interpretation, at every moment.

Agnes Oaks projects her view of Swanilda with greater verve than heretofore. It is a buoyant but somehow unrelaxed reading. There are no problems in nipping through the dances, which she does with splendid aplomb. I wish, though, that she would lighten her reading with more innocent grace, and a less determined vivacity. The music's spirit, Delibes' mellifluous and shapely melodies, should be her guide. Thomas Edur is a faultless Frantz. Faced with a character of boundless lack of interest – the role was only intriguing when played, as it was created, by a pretty girl *en travesti* at the Paris Opéra – Edur lives every moment with a wonderful enthusiasm, and dances with impeccable ease. He alone warms, illuminates the evening.

The Coppélius, on whom much depends, was Wayne Sleep. He is too astute a player not to seize every opportunity, but it is as himself rather than as Coppélius that he does so. The role, and the central crisis of the story – which is the creation of life by alchemical means – is lost. From everyone else, bounce, peasant gaiety, furred jerkins, and expressions of extravagant joy. What fun they have! What fun, indeed, the audience has! I wish, though, that we might have seen what Delibes score was really about.

**English National Ballet's summer season is sponsored by Nomura. It continues, with *Coppélia*, until the end of this week.**

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## Sir Alex Alexander

### An appreciation, by **George Christie**

Sir Alex Alexander, who died on July 25, did more for Glyndebourne's financial well-being during his period of trusteeship and directorship than any other individual in this opera company's history of 60 years. He brought a new dimension to the business of fund-raising and sponsorship and, at the same time, he instilled a sense of commercialism in the management of Glyndebourne's operation. His fund-raising efforts obviously benefited Glyndebourne's artistic endeavours but the commercial policy never came into fundamental conflict with artistic objectives.

I first met Alex in 1973, following correspondence in which I invited him to support Glyndebourne Touring Opera – an invitation which was characteristically not refused. I felt an immediate rapport with him and this grew into friendship which, within a few months, caused me to think that he might join our board of trustees. I consulted one of our trustees, Sir Mark Turner, who expressed some surprise on the grounds that Alex, to his knowledge, had not shown much interest in the performing arts up to that point. Two years after Alex's appointment to the Glyndebourne Arts Trust, Sir Mark commented that the decision to appoint Alex must have been the best one of my life – a comment with which I have no possible disagreement.

Alex, within a very brief period of trusteeship, joined the board of Glyndebourne Productions Limited (the organisation which holds executive responsibility for the Opera Company). He was also appointed chairman of a finance committee which I brought into existence in the mid-70s at a time of recession and at a time when box office receipts were unable to keep pace with inflation. He was hugely active as chairman of this committee and, as a result, Glyndebourne – despite diminishing box office returns – successfully met the challenge of inflationary costs. Alex also chaired an appeal in 1983 which raised £750,000 to help maintain the fabric of the theatre.

It might be expected that his widespread and very effective success in "robbing Peter" to pay Glyndebourne could have created enemies. Not so in the case of Alex, whose charm – he had an irresistible smile – and practical approach beguiled all who came into his fund-raising sights. I know of no other individual with a better track record for raising funds for the arts. Glyndebourne was, I believe, the first charitable organisation in the field of the performing arts to benefit from his genius, but there were others who got swept into his slip-stream – to their great advantage.

His friendship with people was based on a code of ethics, the chief one of which was unshakeable loyalty. Once a friend of Alex, always a friend – unless you breached the code. In Marga he had a wife who gave him stalwart support in his business life and who, more than anyone, inspired his interest in the arts. We grieve for her and her family.

■ *Sir George Christie is chairman of Glyndebourne Productions.*

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Salzburg Festival/**Andrew Clark**

## The Rake's Progress

It is a measure of Salzburg's underlying conservatism that, despite three years of Gérard Mortier's modernising influence, festival patrons still regard Stravinsky with caution. Caution not being part of Mortier's vocabulary, he has programmed three Stravinsky stagings this summer.

The gamble seems to have paid off. After slow advance sales, *The Rake's Progress* at the Kleines Festspielhaus became a hot ticket, while a street-theatre production of *The Soldier's Tale* caught the imagination of Salzburg's tourist hordes. The most ambitious of the three is being kept till the final week – a Peter Sellars-Kent Nagano production of *Oedipus Rex* and *Symphony of Psalms*, with designs by an avant-garde firm of architects. These are worthy festival projects, but it is odd that Mortier should totally ignore Stravinsky's biggest contribution to musical theatre – his ballets.

Mortier clearly relished the opportunity to juxtapose *The Rake's Progress* and *Don Giovanni* – two dissolutes who flaunt moral conventions and are duly punished. The other point in common, of course, is a standard 18th century orchestra. But there the similarities end, and it would be hard to imagine two more contrasting production styles than the Chéreau-Barenboim *Don Giovanni* (which I reviewed last Saturday) and the new *Rake*.

Not for the first time, Mortier placed his trust in a visual artist with little experience of the theatre – someone who, he hoped, could transplant to our own times the operatic characters drawn from Hogarth's pictures. Jörg Immendorff responded by identifying Tom Rakewell with his own fate as an artist – prey to ideals and idle dreams, lust and consumption, devilish pacts and their inescapable consequences. The result was an entertaining exercise in artistic licence, colourful but often unrecognisable.

The stage resembled a painter's atelier, with Anne posing as a model. Tom was dressed in T-shirt and jeans, while Trulove was a Joseph Beuys lookalike (the controversial postwar German artist was Immendorff's hero). Tom's flights of fantasy were symbolised by a model aeroplane, with wings like an artist's palette. His progress was followed by apes (the human beast), who acted as stagehands and became the inmates of bedlam. Modernist and Hogarthian paintings appeared in miniature on the back wall, and the auctioneer wielded not a gavel but a sledgehammer, with which he politely smashed everything on view.

Thanks to a succession of pictorial dropcloths and clear stage direction by Peter Mussbach, the story – and many of its comic and ironic touches – did not get entirely lost. But the moral was wasted. It was hard to identify with characters who inhabited such a two-dimensional stage and looked the same from start to finish. There was an air of artificiality, which rubbed off on the music and led to bouts of tedium.


A hot ticket: Jerry Hadley as Tom Rakewell in Jörg Immendorff's new production

In most other respects, the performance was exemplary. Under Sylvain Cambreling, the Camerata Academica was alert to Stravinsky's rhythmic wit, relishing all the harmonic twists and tricks. Jerry Hadley made a fresh-voiced, fresh-faced Tom. Despite her garish blonde wig, Sylvia McNair's Anne was purity personified. Monte Pederson's Nick Shadow had the body of a wrestler wrapped in a business suit, but would have benefitted from sharper characterisation. Grace Bumbry was a subdued Baba, Linda Ormiston the deliciously predatory brothel-keeper. The audience response was ecstatic.

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*INTERNATIONAL*
**ARTS GUIDE**

### Memling retrospective

**To mark the 500th anniversary of the death of 15th century Flemish artist Hans Memling, the renovated Groeningemuseum in Bruges has mounted a major exhibition.**

**Some 40 works dating from 1470 to 1490 can be seen, representing nearly half Memling's output. Despite the fragility of the paintings and altarpieces, loans have arrived from all over the world, including the early triptych of the Madonna and Child from Kansas City, the monumental Last Judgement from Gdansk and the Passion of Christ from Turin. Portraits include the "Portrait of a Man" from the royal collection at Windsor Castle and "Man with an arrow" from Washington.**

**Around this core the exhibition assembles contemporary furniture, gold and silversmiths' work, tapestries, manuscripts and some 50 works by 15th and 16th century artists such as Rogier van der Weyden, Stefan Lochner and Gerard David.**

**As well as studying Memling's training, technique and patrons, the exhibition traces the way his reputation has fluctuated over the years since his death. Largely ignored in the 17th century, he was rescued from oblivion during the romantic revival of the early 19th century, only to be forgotten again for much of the present century. The last major Memling retrospective was in 1939.**

**The exhibition opens today. The number of visitors admitted hourly is restricted, so advance booking is advisable: tel 050-347959 fax 050-348488.**

### ■ EXHIBITIONS GUIDE

**AMSTERDAM**
**Rijksmuseum** The Renaissance Print 1470-1500: this superb survey includes works by Andrea Mantegna, Albrecht Dürer and Lucas van Leyden. The selection emphasises the diversity of printmaking and variety of techniques used, with devotional prints, landscapes assembled in albums, early colour prints and immense ensembles, such as Jacopo da Barbari's View of Venice. Ends Oct 30. Closed Mon
**Van Gogh Museum** Van Gogh's Self-Portraits: 20 paintings and two drawings dating from his stay in Paris 1886-7. Ends Oct 9. Daily
**BERLIN**
**Ephraim-Palais** Berlin Painting from Blechen to Hofer. Closed Mon (tel 238 0900)
**Kunstforum** The Ideal and Nature: watercolours and drawings from the Munich Lenbachhaus 1780-1850. Ends Sep 4. Daily
**Altes Museum** The Last Days of Humanity: artists' responses to the first world war, including work by Beckmann, Kokoschka, Dix, Picasso, Chagall and Wyndham Lewis. Ends Aug 28. Closed Mon
**Berlinische Galerie** Raoul Haussmann (1886-1971): retrospective of one of the leading figures in the Berlin avant-garde of the 1920s. Ends Oct 2. Closed Mon
**BRUSSELS**
**Palais des Beaux-Arts** Robert Smithson: retrospective of the American artist, one of the founders of Land Art. Ends Aug 28. Closed Mon
**CHICAGO**
**Art Institute** Odilon Redon: 180 works by the late-19th century French painter-poet. Ends Sep 18. Goya: 100 small-scale paintings. Ends Oct 16. Daily
**COPENHAGEN**
**Ny Carlsberg Glyptotek** Sculpture from Denmark's Golden Age: an exhibition focusing on Bertel Thorwaldsen (1770-1844) and his pupils and contemporaries. Ends Sep 20
**DETROIT**
**Institute of Arts** John James Audubon - Watercolours for Birds of America: 90 original watercolours which the early 19th century painter made for his famous print series. Ends Oct 23
**EDINBURGH**
**National Gallery of Scotland** Monet to Matisse: landscape painting in France 1874-1914. Ends Oct 23. Daily
**Royal Scottish Academy** The Romantic Spirit in German Art 1790-1990. Ends Sep 7. Daily
**ESSEN**
**Villa Hügel** Paris - Belle Epoque: an evocation of the period from 1880 to 1910 with paintings, drawings, posters, photographs, glass and furniture. Ends Nov 13. Daily
**FLORENCE**
**Palazzo Pitti** Royal Treasures from Denmark: silver furniture, royal costumes and ivories dating from the era of Frederik IV of Denmark, who visited the court of Cosimo III in Florence in 1709. Ends Sep 11
**HAMBURG**
**Kunsthalle** Masterworks from the Guggenheim Collection: 60 paintings by Picasso, Braque, Dubuffet, Bacon, Chagall, Kandinsky and Mirò. Ends Sep 25. Closed Mon
**LONDON**
**British Museum** Greek Gold - Jewellery of the Classical World: a beautiful show of intricate craftsmanship, bringing together works from the Hermitage, British Museum and Metropolitan. Ends Oct 23. German Printmaking in the Age of Goethe. Ends Sep 11. Daily
**Hayward Gallery** Bonnard at Le Bosquet. Ends Aug 29. Daily (advance booking 071-928 8800)
**Tate Gallery** R.B. Kitaj retrospective. Ends Sep 4. Turner's Holland. Ends Oct 9. William Blake - Art and Revolution: an exhibition focusing on the English artist's output in the 1790s. Ends Oct 16. Daily
**Victoria and Albert Museum** Pugin - A Gothic Passion: retrospective of the 19th century British architect and designer. Ends Sep 11. Daily
**National Gallery** From Caspar David Friedrich to Ferdinand Hodler, A Romantic Tradition - Paintings and Drawings from the Oskar Reinhart Foundation. Ends Sep 4. Daily
**Royal Academy of Art** Impressionism to Symbolism - The Belgian Avant-Garde 1880-1900. Ends Oct 2. Daily (advance booking 071-240 7200)
**Courtauld Institute** The Samuel Courtauld Collection: top-class Impressionist paintings originally in the private collection of the institutes's founder, with loans from the National Gallery and other collections. Ends Sep 25. Daily
**MADRID**
**Centro de Arte Reina Sofia** Gerhard Richter: 100 works by one of the key figures in contemporary German art. Ends Aug 22. Closed Tues
**MARTIGNY**
**Fondation Pierre Gianadda** From Matisse to Picasso, Masterworks from the Gelman Collection. Ends Nov 1. Daily
**METZ**
**Arsenal** Gold of the Gods: more than 600 exhibits, comprising pre-Columbian jewels, ritual knives and masques. Ends Oct 2 (tel 4410 7303)
**NEW YORK**
**Metropolitan Museum of Art** Picasso and the Weeping Women: 80 paintings and works on paper from the 1930s and 1940s. Ends Sep 4. The Annenberg Collection of Impressionist and Post-Impressionist Masterpieces. Ends Nov 27. Dali - The Early Years. Ends Sep 18. Closed Mon
**Museum of Modern Art** From Manet to Picasso - Masterpieces from the David and Peggy Rockefeller Collection. Ends Sep 6. British Drawings 1890-1990. Ends Sep 13. Closed Wed
**Whitney Museum of American Art** Edward Hopper (1882-1967) and Jack Pierson (b1962): the latter has selected 20 works by the former, and placed them alongside his own work. Ends Sep 11. Joseph Stella (1877-1946): more than 200 works by the American modernist. Ends Oct 9. Closed Mon
**PARIS**
**Musée d'Orsay** Nadar, Photographs 1854-65: Nadar was a friend of writers and painters, whose portraits raised photography to a creative art. Ends Sep 11. Closed Mon
**Musée Picasso** The world's largest collection of Picasso's work is completed by his own collection of paintings by friends such as Braque and Matisse, and artists he admired, such as Renoir and Cézanne. Closed Tues (4271 2521)
**Musée Rodin** This delightful 18th century town house contains the life work of the sculptor Auguste Rodin. Closed Mon (tel 4418 6110)
**Musée Marmottan** This museum houses an important collection of paintings by Monet, including Impression-Soleil levant, from which the Impressionist movement took its name. Closed Mon (tel 4496 5033)
**STUTTGART**
**Staatsgalerie** Italian Drawings 1500-1800: a representative selection of the large, high-quality Stuttgart collection, built up over the past two centuries and including work by Giambattista and Tiepolo. Ends Sep 4. Closed Mon
**VENICE**
**Antichi granai della repubblica** China in 220 BC - The Warriors of Xi'an: ten of the 7,000 lifesize terracotta soldiers who guarded the tomb of Emperor Qin Shihuangdi in central China, along with copies of war chariots and weapons discovered in one of this century's most dramatic digs. Ends Sep 11. Daily (the old granary on the tip of the Giudecca)
**Palazzo Grassi** Renaissance Architecture from Brunelleschi to Michelangelo: 250 works from European and American public collections. Ends Nov 6. Daily
**WASHINGTON**
**National Gallery of Art** Willem de Kooning's Paintings: 75 works by America's influential abstract expressionist. Ends Sep 5. Daily
**National Museum of American Art** Mary Vaux Walcott: 50 watercolours by the early 20th century naturalist, explorer and artist. Ends Aug 29. Daily
**Phillips Collection** The Drawings of Stuart Davis: 90 watercolours, gouaches and drawings of radiant colour by the American modernist. Ends Aug 28. Daily
**Arthur M. Sackler Gallery** Lois Conner - Photographs: 80 large format photos depicting architecture and nature by the American photographer working in Asia. Ends next May. Contemporary Porcelain from Japan. Ends Sep 5. Daily
**ZURICH**
**Kunsthaus** Dada global: a large selection of paintings, drawings and collages by Duchamp, Man Ray, Ribemont-Dessaignes, Max Ernst and many others, plus posters, letters and other documents relating to the nihilistic movement founded in Zurich in 1916. Ends Nov 6. Closed Mon

# Riding tandem along UK superhighway

PERSONAL VIEW

The communications industry is facing a future of immense potential with the development of a new generation of broadband "information superhighway" networks delivering telephone, computer, television and other services. Using optical fibre and advanced electronics, these networks will enable visual and virtual reality images, speech, sounds and graphics to be communicated instantly between any two points on the globe.

Today, it can only dimly be visualised what would develop from this: a new dimension to commerce and industry; a revolution in education, medicine, shopping and leisure; quite possibly a decisive cut in the need for physical travel and thus in energy consumption, pollution and traffic congestion; and a new medium for political activity.

Telecommunications carriers such as BT have good reason to push broadband. Growth of conventional telecoms is slowing. The carriers have turned to specialised international business services; but the market for these is limited and competition is fierce. Broadband for their home markets is the big opening on their business horizon.

The report on optical fibre networks by the House of the Commons select committee on trade and industry, published on July 27, is the first all-party parliamentary judgement on the UK telecommunications regime. It makes three principal criticisms. UK policy is too concerned with infrastructure and competition in existing services and needs to be re-focused on broadband services; there is little sense of urgency about broadband development; and there is a lack of a clear sense of vision about what broadband could do for the UK and its people, in contrast to the type of leadership being shown in the US.

The US is seizing the high ground. The US administration has forward-looking legislation before Congress which in particular will enable cable TV and telephone companies to compete in each other's business areas. US telecoms operators are planning to invest millions of dollars in a broadband adaptation of the coaxial cable technology traditionally used by the cable TV industry. US computing and entertainment interests are scrambling to dominate the world market for broadband applications. Japan is not far behind. The challenge to Britain and the rest of Europe is pressing.

Britain is a world leader in optical fibre broadband technology. However, it is bogged down by dispute about a regulatory ban, rooted in the thinking of the 1980s, which excludes BT from cable TV in order to protect Britain's combined cable TV and telecoms operators. There is right on both sides. The cable companies are committing large investments in reliance on this ban. But, as the principal national operator, BT has a role in broadband which should not sensibly be denied. The select committee has proposed lifting the ban on a franchise-by-franchise basis, with protection in any given franchise lasting only seven years. This is fair and workable. But even if accepted by government it would take years to have effect nationally. I suggest an alternative which would cut through the difficulties and work more rapidly.

**Broadband is the big opening on the business horizon for telecoms carriers**

The cable companies plan to invest £6bn just to create conventional facilities for two-thirds of the population. They would have to spend a lot more to upgrade to broadband. A national broadband network would cost BT £15bn or more. All this investment would be risky. Both investment and risk would be greatly reduced and progress would be faster if the two sides co-operated to create a single national broadband network.

The classic objection to this would be that it creates monopoly and inefficiency. To counter this I propose a new formula. BT and the competitors should form a network company which they jointly own in equal shares. BT's contribution would include its existing duct network, which is a central resource. The company would have a professional board made up exclusively of its owners' representatives.

To ensure efficiency its managing director and its top executives would be appointed by the owners on regularly renewable contracts, with stringent performance-related pay requirements. The board would control expansion of broadband across the country, in step with success in marketing. Charges and profits would be determined by a return on assets requirement, set to correspond to the upper quartile of returns being earned by blue-chip companies generally and ratified by the industry regulator, Oftel. Profits would be re-invested or distributed by agreement between the owners. Initial investment and later investment requirements not met from profits would be found by the owners or from the market.

Anyone who wished to provide broadband services to the public, including of course BT and the present cable TV operators, would be entitled to use the network, paying standard charges to the new company. Again, charges would be ratified by Oftel. There would be free, fair and unregulated competition for provision of services over the network.

Technical and commercial problems of inter-connecting competing networks, which are getting more difficult with no obvious way out, would be eliminated. The need for the ban on BT would disappear. The way would be cleared for broadband services to develop freely by competition to their natural commercial level.

**John Harper**

*The author was the last public-sector managing director of BT's inland operations. He is now senior partner of the Lullington Group of telecommunications advisers*

# Children neither seen nor heard

## A steep fall in the birth rate means demographic worries for east Germany, says Judy Dempsey

The British author, P.D. James, recently wrote a novel called *The Children of Men*. It is set in England in 2021 and describes how infertility has spread like a plague. The human race faces extinction as scientists try to reverse the trend. At the end of the book, a woman gives birth, but whether this is enough to save the human race is left open.

German demographers and doctors could identity with this work of fiction: five years since the collapse of the Berlin Wall, the birth rate in east Germany continues to plummet.

Mr Horst Halle, head of the maternity department at the Charité, east Berlin's largest hospital, first noticed the trend in early 1990. "You just had to look at the statistics," he explained. "Before 1989, there were about 16,000 babies born each year in east Berlin. Today, that figure has slumped to 6,800, a decline of about 60 per cent.

"In the Charité itself, we used to record about 2,200 births a year. Today, we have fewer than 1,800, and we are doing better than most maternity hospitals in east Berlin."

Such an unprecedented fall in the birth rate would have shocked the former communist regime in East Germany. It prided itself on its wide range of social services aimed at providing women with excellent childcare facilities to encourage them to have children.

**'The widespread sense of job insecurity has played a major role in the decline of the birth rate'**

Then, day-care centres were free. Women could take a year's paid maternity leave and return to a guaranteed job, or take off three years with generous state support and still have the same job to go back to. Indeed, more than 90 per cent of the female working population were employed, compared with 49 per cent in west Germany. By the age of 21, east German women started having children, unlike their west German counterparts, who generally started a family in their mid-to-late 20s.

Despite these incentives, however, the birth rate in east Germany was relatively low compared with most other east European countries under the communists. Mr Jürgen Dorbritz, a demographer at the Federal Statistics Office, says: "What we are now seeing in eastern Germany is a birth rate which is falling from a low base. That is the worrying aspect. That's what makes the statistics so extraordinary."

In 1989, there were 198,922 live births in east Germany, the equivalent of 12 births per 1,000, or about 1.6 children per family. This was the same as in west Germany. By 1993, the number of east German births had fallen to 79,926 – or about 60 per cent of the 1989 rate – the equivalent of 0.8 children per family, or only half the west German level.

"We just don't know how long this trend will continue. One thing is certain. There will be very few children born between the years 2015 and 2020 because of the lack of women of child-bearing age. Can you imagine how difficult it is going to be to pay for the number of old people in our country?" said Mr Dorbritz.

According to the latest statistics from the German Association for Pension Insurance, the number of people under the age of 20 in east Germany will fall from 3.84m in 1993 to 2.6m in 2020; the number of people aged between 20 and 60 will fall from 8.7m to 7.6m; and those over 60 will rise from 3m to 4.13m. The percentage of pensioners per 100 contributors to the state pension insurance system will rise from 26 per cent in 1993 to more than 50 per cent by 2030.

Mr Halle, who has worked in the Charité for 28 years, believes there are several reasons why east German women are remaining childless. "Demographers tend to ignore the fact that we had been expecting a sharp fall in the birth rate in the year 1995, regardless of unification. This is because the east German abortion law of 1972 made abortion available on demand. We knew we were not going to have many child-bearing women in the mid-1990s," he explained. In 1972, the birth rate fell to about 6 per 1,000, climbing back to about 12 births per 1,000. Today it is fewer than 5.1.

Ulrike Preuss

Endangered species? Fewer east Germans are having babies

But Mr Halle also believes that the process of German unification itself has had a profound social effect on east German women. "A young east German woman knows that if she becomes pregnant, the chances she will find a job are now far less, especially given the high level of unemployment," he said.

East German women have borne the brunt of unemployment, which is officially 16 per cent of the working population, excluding those on short-time work, early retirement schemes, or job creation programmes.

By the end of the first quarter of this year, more than 790,000 east German women had lost their jobs, representing a female unemployment rate of 23 per cent. In west Germany, 1.1m women, or 9.3 per cent, are out of work. "East German women today have freedom of choice, but they have lost their status in society," said Mr Dorbritz.

The other pressure arising from unification is that many east German women have had to seek new qualifications, retrain, or change jobs more often, unlike the former days when a job was for life. "There is no more security. The widespread sense of uncertainty has played a major role in the decline of the birth rate," said Mr Dorbritz.

The freedom to travel has played its part in the decline of the birth rate as well: young east German women have an unprecedented chance to go abroad before they settle and start a family.

"There was hardly anything else to do before 1989," said Mr Dorbritz. "East German society was geared towards encouraging young women to procreate. All those social planks of free kindergartens, both parents in a job, heavily subsidised or free children's clothes and shoes, have now disappeared."

Greater mobility and open borders have led to a sharp rise in migration from east Germany to west Germany. More than 1.2m from a population of 17m east Germans went to live in west Germany between late 1989 and early 1991.

"Many of these people were young and skilled," said Mr Nicholas Eberstadt, a demographer at the American Enterprise Institute for Public Policy Research. "Of the overall drop in the birth rate, roughly one-ninth can be attributed to the sheer decline of east Germany's population during those two years."

Staff at the Charité hospital know that, unless the birth rate increases, the obstetricians, doctors and nurses could be without a job. "We have 2,000 maternity beds here," said Mr Halle. "Before unification, we were dealing with more than 2,200 women a year. If we cannot account for all the beds, we will be under pressure to make savings. That means cutting jobs."

But his main concern is the kind of society which will evolve in east Germany in the next century. "The prognosis is very bad," said Mr Halle. "I do not know how we are going to fend for the elderly. Who is going to pay for them?" One answer might be to allow immigrants into the country under a quota system to replenish the population – a solution advanced by some liberals.

One thing is clear. Mr Eberstadt believes that, if the present trends in east Germany continue, it will be virtually impossible for what he calls "generational replacement" to occur.

"For generational replacement, eastern Germany's women of child-bearing age today would have to give birth to an average of about 2.07 infants over the course of their lives. They are now having 0.8 children, less than one birth per woman per lifetime. This is not enough for a net population replacement."



# LETTERS TO THE EDITOR

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## Mad pursuit of deeply flawed power concept

*From Mr Hugh Sharman.*

Sir, "Coal production is falling from fashion – and production is down – in virtually all European countries," says Michael Smith ("Coal cleans up its act for a power struggle", August 3). This is for the very simple reason that indigenous production is relatively uneconomic. The Canute-like efforts of the Spanish socialists to maintain coal production in the Puertollano region, underwritten by the long-suffering Spanish consumer and aided by pork barrels from the European Commission, which itself is maintained by long-suffering tax payers, cannot alter the facts that IGCC (integrated coal gasifier with combined cycle) is a deeply flawed concept. The flaws are its cost and efficiency relative to lower cost and unglamorous conventional plant.

Here in Denmark, the fuel conversion efficiency of 1992-commissioned, squeaky-clean, super-critical but *conventionally fired* coal plant is already 46 per cent, 16 per cent better than any figure ever acknowledged in any of the FT's articles for the "best coal-fired power stations". High-quality coal, at a landed price well below £1/GJ, is imported from all over the world.

As materials for boilers and designs for steam turbines continue to improve, the efficiency of the conventional coal-fired steam plant by the end of this decade will, in Denmark, continue to stay ahead of anything foreseen by the IGCC – and at much lower first costs! In fact, a 450 MWe unit is being planned for commissioning by 1998, not far from my home here in Denmark, which will convert coal to electricity with a conversion efficiency of 48 per cent. In combined heat and power mode, it will be around 90 per cent efficient.

New, better and cheaper methods of flue gas cleaning demonstrate acid rain emissions from low-cost coal at levels comparable to those from IGCC.

While current events in Nigeria and Algeria, together with continuing instability in the Commonwealth of Independent States, underlines the madness of the European-wide "dash for gas" in power generation, continued pork barreling by politicians and manufacturers, and the interference in the market mechanisms by European Commission amateurs, will leave our children dangerously exposed to a squeeze between high-priced or even or unobtainable gas, obsolete, inefficient coal-fired plants and taxpayer-subsidised, technological monsters like IGCC. When are we going to wake up to reality?

Hugh Sharman,
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*Hals, Denmark*

## Mysterious analysis of Italian bond performance

*From Mr M Masi.*

Sir, We are flattered by the attention that the FT dedicates to the Italian bond market. One of your columnists, Barry Riley, seems to be particularly intrigued and amused by the Italian Treasury operations, especially with regard to our 30-year bond. For example, he defined last November's launch of this bond as a *curious phenomenon*. He implied that no investor with any good sense would hold this paper to maturity. In fact, he argued, *even if* the Italian government *were* to repay this bond in 2023, that the money would hardly be worth a cup of espresso ("Italy adds another dimension to debt", November 17 1993). Although we value a good cup of coffee highly in Italy, we did not take that as a compliment.

Recently, while commenting on the French financial situation ("Airline cracks in the French financial facade", August 3), he reminded FT readers of how wise his judgment on the Italian 30-year bond had been. Reason: the yield of that bond had gone up from under 10 per cent (last November) to about 11¼ per cent (in early August).

At this point we started wondering how Mr Riley values the success of a bond. Certainly he could not simply judge, as it appears from the article, on the basis of gross yields, taken out of context. Mr Riley must have some benchmark in mind against which to measure the performance of the Italian 30-year bond. We were puzzled.

Could he be comparing the performance of 30-year Italian bonds with that of comparable bonds issued in other countries? No. Thirty-year bonds worldwide, like all other medium- and long-term bonds, have experienced a substantial increase in their yield since the beginning of the year. The Italian bond is not unique in this respect.

Could he instead be looking at the performance of 30-year bonds relative to other Treasury bonds of different maturity? No. The spread between 30- and 10-year bonds in Italy moved well within the range displayed by the other major countries. We have run out of ideas: Riley's analysis must be much more sophisticated than our own simplistic way of thinking.

Like several of my colleagues at the Treasury, I am about to go on holiday. We are all relieved to learn, however, that Riley's column will resume on September 14; well after we will be coming back from our *vacanze*. This way we will be sure not to miss any of his insights. One day we hope to understand them.

M Masi,
*head of press office,*
*Ministry of the Treasury,*
*Rome, Italy*

## Wrong purchasing approach

*From Mr James Ensor.*

Sir, Your report, "Whitehall could save £130m on consultancy" (August 5), highlights an important weakness in government purchasing. Matters have been getting worse rather than better. The Department of Trade and Industry recently abandoned its long-standing central computer data-base of consultants because "departments know who to contact". This inevitably means yet more concentration upon the generally expensive, entrenched suppliers listed in your table.

It is fashionable to attack the European bureaucracy. But purchasing consultancy appears to be handled better in Brussels and Luxembourg, where most director-generals maintain computer databases and all projects are open to competitive tender. Significantly, the largest firms obtain a far smaller share of this business, and it is simpler for potential bidders to find out about projects being mooted than with UK departments.

The Cabinet Office report does not appear to have addressed the increased cost of using committees (often of eminent retired industrialists) to assist departments in assessing tenders. In our experience, remuneration of these experts can exceed sums paid to a consultancy for doing a project.

James Ensor,
*Strategic Vision,*
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## Better effort

*From Mr Roland C Shaw.*

Sir, Your correspondent, Lucy Kellaway, will be disappointed if I do not write to complain about her very fulsome article, "Prime of life at Premier Oil" (People, August 8). Frankly, I was less that pleased by her quotation from a discharged employee. But, all in all, it was one of her better columns. However, what really was libellous was the caricature which bore no resemblance whatsoever to . . .

yours faithfully,
Roland C Shaw,
*23 Lower Belgrave Street,*
*London SW1 0NR*

## Different incident

*From Mr John M Kleeberg.*

Sir, The US may remember the Mayaguez incident, but Jurek Martin ("Few tricks left", August 8) clearly does not; the ship was seized not by North Korea, but by Kampuchea (as it was then). I presume he has conflated it with the Pueblo incident?

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# Thinking of tomorrow

Struggling to pass even a much-diluted version of US health reform, President Bill Clinton will not want to be reminded of the need for deeper change. But this week's report from the Kerrey Commission on budgetary reform offers just that. As it stands, the country's tax and benefit system implies a burden on younger Americans that is both unsustainable and unjust. Unfortunately, it is also unlikely to be speedily redressed.

Wrung from President Clinton in return for Senator Bob Kerrey's vote in last year's budget battle, the Commission will only present its final recommendations in December. But the interim report, published this week, unkindly clarifies how little the 1993 package improved the country's long-run fiscal health. After 1998, the federal budget deficit will begin to rise again. As the Commission points out, interest payments and social benefits will consume nearly three-quarters of all federal revenues by 2003 and 100 per cent 10 years later. By 2030, total federal expenditures are projected to exceed 37 per cent of GDP, compared to just 22 per cent today.

Much of the rise will be driven by the ageing of the population, a burden on future workers for which all industrial countries must be prepared. Shouldering it, in all cases, will require three things: a high national savings rate, rising productivity of existing workers, and a well-structured tax and benefit system. The US fiscal dilemma is more pressing than that of many countries, despite the fact that its population is ageing relatively slowly, largely because its record on all three has been deteriorating.

## Fiscal burden

Some steps have been taken, but these fall far short of what is needed. The Social Security Act of 1983 established a fund to help pay social security benefits to baby-boomers when they begin to retire in the next century. But the trust will run out by 2030. In the meantime, the money saved is effectively spent on reducing the headline federal deficit, which will, in any case, rise in line with other obligations, such as Medicare.

The fiscal burden will have to reduced. That means spreading the cost of ageing more equitably, both across generations and within them. The current system falls on both counts. Thanks to the current rules of the social security system, payroll taxes must meet the cost of providing benefits to today's retirees that are 2 to 5 times as great as their contributions would have earned in a private pension system. Moreover, although two-thirds of direct federal benefits go to people over 65, less than a fifth goes to those below the poverty line.

## Sensible entitlement

Sensible entitlement reform would continue the efforts, begun in 1983, to make today's workers meet more of the costs of their future retirement. But it would have to target future benefit payments by means-testing a good proportion and ensuring that all are taxed, just as non-retired incomes are taxed. Less than a quarter of entitlements are currently means-tested. Tax exemptions must be similarly re-assessed: these disproportionately favour the well-off and cost $400bn: half the total cost of the entitlement system.

It is hard to exaggerate the political difficulties involved in passing such reforms. Owing to its varied membership, the Kerrey commission's recommendations are unlikely to be sufficiently ambitious. But if, as he claims, Mr Clinton wishes to boost American long-term economic growth through public investment, serious tax and entitlement reform is the only possible route. Without it, there is no room for higher spending elsewhere, however justifiable.

On recent evidence, the coalition in favour of cutting government expenditures is fragile, at best. And, when the Commission reports in December, Republicans may be fresh from a strong showing in November's elections, and unwilling to grant Mr Clinton any legislative triumphs. As far as budgetary reform is concerned, he is also unlikely to make the attempt. First, as ex-chairman of the council of economic advisers Herbert Stein once said, "the American public will have to make it safe for politicians to do the right thing." Thus far, they have not done so.

# Littlechild underpowered

The privatisation of the power industry four years ago has, in many respects, proved a great success. Electricity companies are running a leaner system which is much more responsive to consumers' needs and delivering cuts in real prices. But this impressive performance has been marred by the excessive rewards which have gone to two groups of people: managers and shareholders.

Professor Stephen Littlechild, industry regulator, has no remit to tackle the extravagant remuneration packages awarded to executives, almost regardless of performance. He can and yesterday did, take action to improve the price regime, which has allowed shareholders to earn far larger returns from the monopoly businesses than thought possible four years ago.

The review was never going to be an easy task, because the balance of reward between shareholders and customers had slipped so far in favour of the former. Dividends have greatly exceeded the City's predictions, and share prices have, in some cases, risen by as much as three times in value. Although domestic customers have seen electricity bills fall recently, this owes more to the decline in generation costs than to price regulation. The electricity companies have passed virtually all of the benefits of their improved efficiency through to shareholders, thanks to price formulae which were devised by a government more concerned with obtaining good privatisation proceeds than with protecting the interests of consumers.

## Partial success

With the initial balance so far out of kilter, it is not surprising that Prof Littlechild's success yesterday was only partial. On the face of it, he has been quite tough. He is proposing to force the companies to make a once-and-for-all cut of between 11 and 17 per cent in their distribution charges (which account for about a quarter of electricity bills), and then limit future increases to 2 per cent below the rate of inflation for a further four years. Together, these actions should produce steady real declines in household electricity bills up to the end of this century.

Yet stock analysts were calculating yesterday that the companies will still have sufficient earnings and borrowing capacity to sustain real dividend increases of at least 6 per cent a year for the forseeable future. If that turns out to be the case, it is bound to raise questions about the effectiveness of Prof Littlechild's new regime.

## Efficiency gains

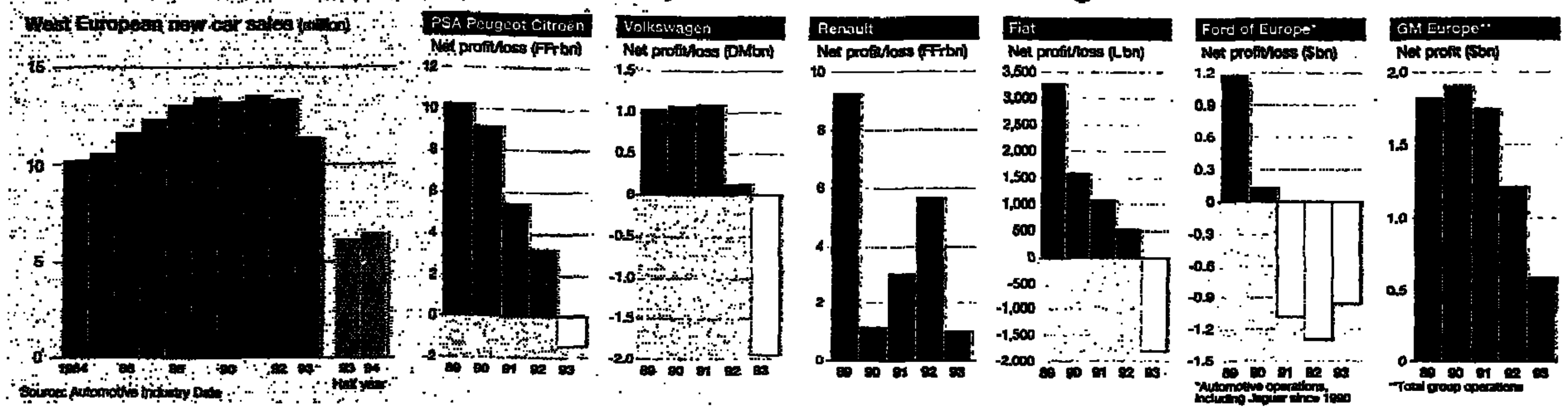
One reason why excesses may continue is that the potential efficiency gains in the electricity industry remain far greater than was ever imagined at privatisation. Even though companies have shed thousands of jobs and reduced their operating costs by impressive amounts, they are still only part-way through the cost-cutting process. Indeed, in the cat-and-mouse game that is inevitably being played between regulated companies and their regulator, there is an incentive for management to underplay the scope for rationalisation in order to secure softer price targets.

There are other factors as well. Most electricity companies have paid off their debts, which means that there is considerable capacity for gearing up. The companies are also about to sell off their prize asset, the National Grid Company, which will enrich their coffers still further. And if the much-predicted shake-out of the industry materialises, there will be efficiency gains from mergers and takeovers too.

Prof Littlechild has to ensure, of course, that his price regime does not damage the electricity industry's ability to deliver a vital service and maintain improvements. But all these factors indicate that there is little danger of this: indeed they constitute a case for setting more demanding targets than he did yesterday.

Now that the deed is done, however, it would be a mistake to add a threat to reopen the price review, within the designated five-year period, if the electricity industry were once again to offend public opinion with the size of its earnings and salaries. That would only create inhibiting uncertainty. Ultimately, the country's interest lies in having the most efficient electricity industry possible, and that can best be achieved by allowing managements to exceed their targets if they can, rather than threatening to confiscate any excess gains. The pity, though, is that the targets are not tougher.

European car market: after heavy losses, the road ahead looks brighter



Source: Automotive Industry Data

# Rapid gear change to stay in the race

## European carmakers are recovering from recession, but are they sufficiently competitive, asks **Kevin Done**

The grinding of gears has been harsh, but gradually Europe's automakers are climbing out of the worst recession of the post-war period.

Four of the big six volume carmakers in Europe crashed into heavy losses last year, as new car sales fell by more than 15 per cent to 11.4m, the lowest level since 1985.

While the leading European car producers are still struggling to stem the flow of red ink with drastic restructuring measures, their share prices have, however, been rising sharply for the past 18 months. In the first half of this year new car sales have also begun to flicker back to life.

The automotive sector was the worst-performing area in European stock markets over the past seven years, according to the stockbroker James Capel. This year it has been the strongest, and had outperformed Capel's European JC index by 20 per cent by early August.

Fiat, which incurred the biggest loss in its 95-year history last year and is paying no dividend on its ordinary shares for the first time since 1947, has outperformed the Milan market by 38 per cent in 1994.

PSA Peugeot Citroën with its first loss last year since 1984, has outperformed the Paris bourse by 20 per cent, while Volkswagen, which had a group loss of DM1.94bn last year, has outperformed the Frankfurt market by 22 per cent.

Though share prices started to rise early last year, new car and commercial vehicle sales were still plunging precipitously. But some foundation for such early optimism is finally beginning to appear. New vehicle sales started to pick up during the first half of this year, arousing renewed confidence among vehicle makers and their suppliers that recovery is under way.

"We now expect that 1994 will turn out to be a much better year than we thought likely at the end of 1993," says Sir David Lees, chairman of GKN, one of the leading UK automotive components suppliers.

In the first six months, new car sales in west Europe have risen by 6.8 per cent to 6.5m. The upturn has been led by the UK, France, Spain and Scandinavia.

"Western European markets have evidently passed through the nadir of demand, with many markets now recording quite high rates of expansion," says Mr Bernd Pischetsrieder, chairman of the management board of BMW of Germany.

With its heavy fixed costs the auto industry is sensitive to changes in sales volumes. As demand picks up, allowing plants to be run at higher production volumes, profits should respond accordingly.

"Assisted by a major shedding of labour, savings in purchasing costs and the start of a recovery in sales, profits now look set for a strong recovery, and we are predicting that earnings will reach new highs in 1996," says Mr Bob Barber, automotive expert at James Capel.

The turnround is not without pain, however. Recession forced plants to close in the face of severe overcapacity and tens of thousands of jobs have been eliminated.

Ford of Europe, has reduced its workforce (excluding Jaguar) by 15 per cent, with the loss of 15,100 jobs since late 1992. Mercedes-Benz, the car and commercial vehicle subsidiary of Daimler-Benz, Germany's largest engineering group, cut 14,700 jobs from its domestic workforce in 1992, a further 11,000 last year, and it is planning to cut another 8,000 jobs to bring its workforce to 151,000 by the end of 1994.

Volkswagen reduced the workforce at its six domestic plants (excluding Audi) in the past three years by 27,000 to about 102,000 by spring. Higher productivity and reduced sales volumes mean that it still has about 30,000 surplus employees. For 1994 and 1995, it is operating a pioneering pact with German trade unions, allowing a big cut in pay and working hours (to a 28.8 hours week) to stave off even more radical job losses.

Most carmakers believe that they have turned the corner after last year's losses, the scale of which took the industry by surprise. "No source had predicted the scale of the disaster until well into the year," said Mr Gianni Agnelli, Fiat chairman recently. After last year's record loss of L1,783bn Mr Agnelli says the company's full-year result should "be better than break-even".

Past responses to recession have not been enough this time round, however, and carmakers have had to revamp their strategies.

The European motor industry is undergoing a hectic transition, as the European Union moves to become an open car market with the removal of all quota restrictions on car and light commercial vehicle imports from Japan at the end of 1999. European car makers are also in a race to become globally competitive. Their rivals in North America – in particular Chrysler and Ford with GM bringing up the rear – have already made huge progress in closing the competitive gap on the Japanese producers.

The share taken by Japanese carmakers in west Europe may be down this year as they have been battered by the strength of the yen, but it is likely to be only a temporary respite. Japanese penetration is still forecast to rise to about 15 per cent by the end of the decade.

Incursions into the European market are also growing from North America, both from the big three US carmakers and from Japanese assembly plants in the US.

European carmakers are fighting back with radical changes of strategy. For instance, Mercedes-Benz is transforming its new product strategy. Having accepted the unpalatable truth that its luxury cars were "over-engineered" and that it could end up being "priced out" of world markets, it is planning to launch vehicles into several new segments of the world market by the late 1990s, including a small family car sized between a Volkswagen Golf and a Ford Fiesta, and most surprisingly a micro compact car for urban commuting that it is developing in a joint venture with SMH, the Swiss maker of Swatch watches.

Restructuring is taking on new forms, as car makers dispose of in-house components operations to outside suppliers to allow themselves to concentrate on the core operations of the design, development and assembly of vehicles. In its boldest move in this direction Fiat is transferring a components operation with more than 700 employees to GKN, which is to invest £50m in a new plant in Italy.

Belatedly, European makers are also closing yawning gaps in their product armouries. Volkswagen, Ford of Europe, Fiat and Peugeot are all launching their first MPVs (multi-purpose vehicles like the Renault Espace) into a fast-growing sector of the world market until now dominated by Japanese and US producers.

Such responses may not be enough. Standard & Poor's, the US credit rating agency, warns in a recent report that "European auto industry fundamentals are becoming increasingly difficult for the volume automakers". It says that Europe's car market is becoming "more subject to volatile cyclical fluctuations" as European economies converge. It forecasts that long-term growth in new car demand will slow, with the main markets "approaching saturation".

The European industry will "remain beset by significant excess production capacity", while intensifying competition for market share has led to rapidly rising marketing costs and aggressive discounting. European automakers' "relatively limited" presence in other regions of the world leaves them highly vulnerable to competitive conditions in western Europe.

It is a catalogue of shortcomings that may temper the optimism of investors that have sent automakers' share prices soaring in recent months.

**Jurek Martin** calls for an end to the closed world of the White House press corps

# Clinton's cling-ons

It was only a single-sentence paragraph, about the presidential trip to Europe in June, but, to the dyspeptic eye, it leapt out of the page. The pen was wielded by Maureen Dowd, as elegant a writer as any on the New York Times. Her target was the cellular phone-carrying yuppies on the White House staff supposed to look after the travelling media.

"Another day, the White House marooned 24 reporters and staffers in the misty British countryside for 12 hours, unable to figure out a way to get our group 100 miles from Cambridge to Portsmouth, the next stop on the president's schedule."

It is the presumption – that it was the White House's fault – that gets the goat. For it means the English-speaking White House press corps no longer has the capacity or responsibility to move itself, using public or private transport, a short distance across a country which uses much the same language and credit cards. Ms Dowd added, with self-deprecation, that even using the phone was a problem as "the instructions ... were in British".

Michael Lewis commented on the same trip for the New Republic as someone who is not a regular pack member. He wrote: "To strike out on one's own, it turns out, is in violation of the code of White House correspondents. No matter how hard I try, a senior White House journalist explains to me, I will never escape 'the womb'."

This is seriously worrying, or ought to be. Pack journalism is bad enough, but surely cosseted pack journalism, divorced from the realities of life, is worse. The womb, also known as the steel cocoon, can only provide a warped view.

The White House press corps may be the most egregiously privileged and insular, but its attitudes are hardly unique. The gaggle of British soccer hacks covering the World Cup finals declined to take advice on a simple way to enter the Rose Bowl – namely via a public gate – insisting instead on the long lines of the media entrance because Fifa officials required it and could thus be blamed for the delay. It had to be somebody else's fault.

The Westminster lobby, the Japanese press clubs, even, presumably, the cliques (or is it claques?) of ballet critics take pride in their exclusivity and privileges. The only differences are the Americans do it on a grander, if not more efficient, scale and do not exclude those not from US news organisations from holding a White House press card (on the basis of this column, the FT may soon be issued a job lot).


Things which never would be missed

The tendency to bite the hand that feeds (and carries the luggage, and books the hotel rooms and provides the transport and, oh, also briefs) is perhaps most pronounced in the White House bear garden. A colleague on the president's most recent trip reports how a famous network correspondent went ballistic in Bonn when a bus driver had problems negotiating a tight turn, so risking losing the convoy.

In her tantrum, she seemed not to have realised the improbability of a German bus driver not knowing his way to the only local airport (Cologne) big enough to handle Air Force One and the 747 "zoo" plane carrying the press (first class reserved for the networks, naturally; business class for the US writing hacks, most foreigners; and staff in the back).

Now, being a White House (or Westminster) correspondent is not the easiest beat. The compensations of ample air time and front-page space do not necessarily offset the long hours, cramped working conditions and the frustration of not being able to roam freely throughout government. It sounds glamorous but often is not.

The simple solution is to let the sun shine in. It may be impossible to abolish the White House press corps or its international counterparts, and it would be counterproductive not to arrange adequate facilities for them to file their stories. But let them travel on their own, eat on their own and book their own hotels.

For one thing, it would be cheaper. The White House gets good discounts on hotels but charges roughly 1¼ times the first-class air fare, and bills for luggage handling, too. It would also free the White House staff to do something sensible. But, most to the point, it would reintroduce the media to those who watch TV and read newspapers.

In the Washington Post recently Henry Allen suggested modern journalists, now so much part of the establishment, were losing touch with their roots. Were the newspaper industry to face the Titanic's fate, he wrote, "maybe if they started having more fun and less respectability right now, if they had more product and less by-product, more output and less input, more craft and less profession, they might not go down at all".

# OBSERVER

## Worldly wise

■ Whisper it quietly. The World Bank is about to get a new spin doctor, and not before time.

Just when it should be basking in the glory of its 50th anniversary, all sorts of people have been taking pot-shots at it for spending far too much money on its new headquarters and nowhere near enough on helping the world's poorest countries.

Instead of "50 more years", there is an increasing body of opinion that the World Bank slogan should be "50 years is enough".

Those on the right argue that the markets can take over its role as investors in developing countries, while those on the left counter that the bank's programmes hurt rather than help the poor.

Its public image would seem to be in need of urgent repair.

The hunt has been on for some time to find a replacement for Alex Shakow, the current head of the bank's external relations, who is going to another job inside the World Bank.

However, the smart money is on Mark Malloch Brown, 40, a Brit who used to write for The Economist and currently works for a political consultancy in Washington.

In between he has worked for the UNHCR, helped Corazon Aquino get elected in the Philippines, and been involved in the International Rescue Committee.

Clearly a man who knows his way around the world's trouble spots.

## Own hole in one

■ Poor Thames Water. There is a time and a place for everything.

It is unfortunate that the water utility chose yesterday to run a full-page ad in the Evening Standard extolling the virtues of its new water ring main, an underground tunnel 8ft in diameter and 50 miles long providing fresh water for Londoners: "Thirsty people we Londoners. And with demand for water growing all the time ..."

Not yesterday, it wasn't. The paper's front page was dominated by the story of how the capital's underground railway system broke down when tunnels flooded after record rains descended.

## Pet grouses

■ Quite what Islington man thinks about the Glorious Twelfth of August is not entirely clear, but Labour leader Tony Blair would do well to mind his back when it comes to the whole emotive subject of huntin', shootin' and fishin'.

Earlier this year, Tony Banks, the talkative animal lover from Newham North West, demanded the sacking of Baroness Mallalieu and Lord Donoughue from Labour's front bench team in the Lords after they set up a robust campaign backing the continuation of field sports.

'Stop calling me Dad'

Banks, wrongly as it happens, claimed that the two peers were contravening party policy. "I am not going to listen to people telling me how to win votes who could never get elected to anything themselves," he barked.

Plenty of the party's more famous extra-parliamentary supporters are right behind the peers. Writer Penny Mortimer was heard to complain recently that the Tony Banks breed of MP had become "urbanised" and was in danger of losing the votes of the party's rural supporters.

Film producer David Puttnam is another field sports type, and even Sam McCluskie, former general secretary of the National Union of Seamen, turns out to be a part-time hare courser.

No doubt Blair, in his wisdom, will set his sights on less controversial targets – full employment, say, and the statutory minimum wage.

## Not so sparky

■ People who criticise regulators for inadequately explaining the terribly important decisions at which they arrive might care to glance at Professor Stephen Littlechild's *magnum opus* – as a model of how not to go about things.

Much of the electricity price review is written in the pseudo-approachable first person. The text runs to 118 pages of analysis and tables. And the appendix contains a four-line formula replete with Roman and Greek symbols.

## No kidding

■ General Motors has only itself to blame for the presence in this world of another potential antagonist.

Uschi, wife of Volkswagen boss Ferdinand Piëch and recently delivered of her third child, a jolly little chap called Gregor, says she fell pregnant last September – which she claims was also the height of the brouhaha over GM's allegations of industrial espionage against her 57-year-old husband's newish recruit, José Ignacio López de Arriortúa. "They got us into such a tizzy that I clean forgot my pill and it just happened," she divulges to Stern magazine.

Perhaps she should consult last year's office diary. Conception apart, the big events for father Ferdinand last September were actually the sudden appearance of a whacking loss at VW's Seat subsidiary in Spain, and his abrupt scrapping of an international finance deal for Skoda, hours before it was due to be signed. The López affair was going through a rare quiet spell.

Piëch himself was not distracted from his one-man crusade to counter Germany's falling birth rate. According to best estimates, the fruits of the deceptively robust auto engineer's loins now number 13.

## Skolerr-ship

■ An American teacher has composed an alternative history of the world made up of howlers garnered from essays written by his pupils, ranging from eighth-graders through to college students.

Apart from the passing reference to "Miquel Cervantes: he wrote Donkey Hote", Observer's favourite is the mention of Sir Francis Drake "who circumcised the world with a 100-foot clipper".

FINANCIAL TIMES
Friday August 12 1994



Barclays says sale will allow it to focus on core work

# Thomas Cook in travel cheque deal with bank

By Michael Skapinker, Leisure Industries Correspondent

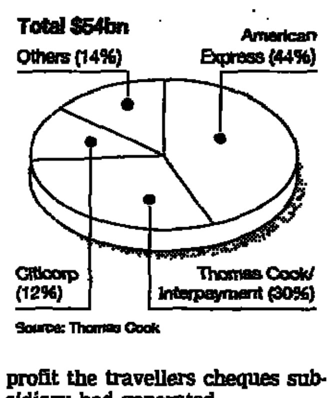
Thomas Cook, the world's second largest supplier of travellers cheques after American Express, said yesterday it had acquired Barclays Bank's travellers cheque subsidiary, which is the third biggest supplier.

Neither side would disclose how much Thomas Cook was paying for the Barclays company, Interpayment Services. Interpayment is the world's largest issuer of Visa travellers cheques, generating annual sales of about $7bn in 145 countries.

The purchase increases Thomas Cook's share of the $54bn travellers cheque market from 17 per cent to 30 per cent. Thomas Cook is 90 per cent owned by Westdeutsche Landesbank, Germany's third biggest bank.

Mr Alex Jablonowski, managing director of Barclays Global Services, said the sale was part of the bank's strategy of focusing on its core businesses. Barclays, which this week announced first half pre-tax profits of £1.04bn ($1.61bn), would not say what profit the travellers cheques subsidiary had generated.

**Travellers cheques**




Source: Thomas Cook

Mr Graham Rider, Thomas Cook's managing director of financial services, said the deal would enable the company to sell travellers cheques through many more banks than is currently possible.

Thomas Cook's travellers cheques carry its own logo, together with that of MasterCard. In Europe, the cheques also carry the sign of euro travellers cheque International (etcI). Mr Rider said many banks around the world will sell either MasterCard or Visa travellers cheques, but not both. The acquisition will allow Thomas Cook to sell Visa cheques as well as MasterCard, he said.

Mr Rider said that the Thomas Cook MasterCard and the Interpayment Visa brands would continue to operate separately. They would have separate sales and marketing strategies but would use the same distribution and processing facilities.

Barclays said it would continue to sell Visa travellers cheques through its branches and customers would not notice any change.

The acquisition goes some way to helping Thomas Cook close the gap with American Express, its traditional travellers cheque rival, which has 44 per cent of the world market.

A history of Thomas Cook, written with the company's co-operation, concedes that American Express invented the travellers cheque in 1891. American Express admits, however, that persuading Thomas Cook's offices around the world to honour its cheques was a crucial step towards their wider acceptance.

# US edges closer to sweeping reform of telecoms market

By George Graham in Washington

The US is just two steps away from the most sweeping changes to its telecommunications law for 60 years after the Senate commerce committee yesterday agreed to a bill that would allow long-distance and local telephone companies, as well as cable television companies, to enter one another's markets.

"This legislation is as important to the economy as the healthcare legislation," said Senator John Danforth, the senior Republican on the committee. "Millions of dollars hang on every comma."

But the bill still needs to pass the full Senate, and must then be reconciled with similar legislation passed by the House of Representatives in June.

The legislation would set the terms under which the seven regional Bell operating companies – known as "Reeboks" or Baby Bells – would open up their local telephone network monopolies in exchange for access to other markets.

The Bells now face severe restrictions on their activities under the court order which broke up the original AT&T monopoly 10 years ago. They are barred not only from offering long-distance services but also from making telephone equipment.

Although yesterday's committee vote of 18-2 suggests widespread support, several senators plan to propose controversial amendments when the bill comes to the floor of the full Senate. Some supporters of the bill fear it will not be possible to set aside enough time for debate before congressmen go home to fight the November mid-term elections.

One of the fiercest fights is expected to be over a measure that would require the Bells to manufacture telephone equipment in the US and buy most of their components from US suppliers.

Mr Mickey Kantor, US trade representative, has warned that this domestic content requirement conflicts with the US's obligations under Gatt and the North American Free Trade Agreement.

The committee yesterday defeated by 12 votes to 8 an amendment proposed by Senator Danforth to strip the domestic content rules from the bill.

The bill drafted by Senator Ernest Hollings, the commerce committee chairman, represents a delicate compromise over when the Bells will be allowed to expand from local telephone services to the long-distance and other markets.

# Markets

Continued from Page 1

to 11.26 per cent from 10.77 per cent on Wednesday. The yield on Swedish nine-year bonds rose by just over half a percentage point to 11.28 per cent.

In the UK, the price of 10-year gilts fell 1½ points, pushing the yield to 8.67 per cent from 8.42 per cent, while in Germany, the yield on 10-year bunds rose to 7.20 per cent from 7 per cent.

# Clinton threat over arms ban

Continued from Page 1

involvement "increased, not decreased".

The lightly armed but increasingly assertive Bosnian army, which would profit most from access to western heavy weapons, yesterday continued to make advances against Bosnian Serb troops. Increased movement of Bosnian government troops around Sarajevo are an increasing concern for UN forces.

However, around Sarajevo, fighting had reportedly tapered off a day after the UN threatened both sides with Nato air strikes for violating the heavy weapon exclusion zone. The first threat of air strikes directed at the Bosnians had come as the Bosnian army appeared increasingly keen to launch a fresh military campaign to take strategic roads from the Bosnian Serb forces.

# Companies unprepared to cope with Aids

By Gordon Cramb in Yokohama

Most multinational companies are inadequately prepared for dealing with Aids in the workplace, according to a Harvard study.

The survey, presented in Yokohama, Japan, yesterday at the end of the 10th international conference on Aids, received responses from 27 large companies with headquarters in 15 countries.

It concluded that while nearly all had briefed managers on the issue, and two-thirds had an employee programme for Aids prevention, the application of policies was largely left to the initiative of local managers.

Training of these managers was not systematic, and big western companies appeared to be motivated as much by fear of potential litigation – whether on the part of their staff, suppliers or customers – as by any overriding concern for the well-being of their workforce. Some 30 per cent thought they would suffer direct costs through increased medical or insurance expenses.

The findings, by the Harvard University School of Public Health in the US, were announced in the final hours of a conference which served largely to emphasise the long haul ahead to any cure or vaccine.

Among the few breakthroughs unveiled were the role of the AZT treatment produced by Wellcome of the UK in reducing the risk of a pregnant woman transmitting HIV to her child, and the success of a three-drug cocktail in halting the virus – but so far only in the test-tube.

This week's event, which brought together 10,000 scientists, pharmaceutical executives, health workers and Aids activists, is the last annual conference of its kind. The next takes place in Vancouver in July 1996.

It was, however, the first such session to have been held in Asia, which epidemiologists expect will soon have the highest rate of new infections.

The Japanese government drew criticism yesterday from campaigners for an immigration policy which would exclude visitors known to be HIV positive, unless they arrived this week as a delegate. It also gained plaudits for using the conference to heighten Aids awareness among its own population.

Only a handful of Japanese are openly HIV positive, and 97 per cent of the 620 Tokyo listed companies which responded to a survey backed by the labour ministry said they had never encountered any problem related to the virus.

But the study, conducted among others by representatives of Sanwa Bank and the Nippon Express transport company, reported that 37 per cent had taken some action to counter the spread of the disease.

Of those, nine out of 10 said they had provided preventative education.

THE LEX COLUMN

# Dividends on Offer

There was nothing remotely shocking in yesterday's review of distribution prices by Mr Stephen Littlechild, the electricity industry regulator. By demanding one-off price cuts in distribution ranging from 11 to 17 per cent, Mr Littlechild has reduced the companies' rate of return. By running down dividend cover, releasing provisions and finding additional efficiencies, though, the regional electricity companies should be able to deliver real dividend growth of at least 5 per cent – and probably more – until the end of the decade. While utilities are always prone to political interference, this looks like a more than adequate return, given the level of risk.

Exactly how well shareholders are rewarded now depends on the ability of individual companies to manage costs and cash. Offer's annual efficiency target for operating costs of 3 per cent is higher than that imposed on the water companies by their regulator a fortnight ago. But the Recs are quietly confident. And while the water companies will have to borrow to bridge the gap between cash flow and capital spending, most of the Recs will enjoy positive cash flow. All 12 companies have authorisation from shareholders to buy back shares: their timing could separate leaders from laggards.

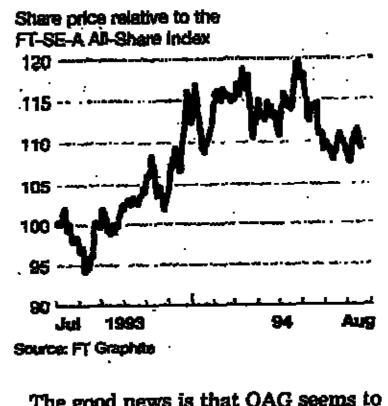
Whether the prospect of five years of positive cash flow is enough to flush out potential bidders is less certain. A predator able to cut costs faster than the incumbent management and invest surplus cash to the benefit of shareholders would certainly deserve a hearing. Given Mr Littlechild's faith in the power of market forces, it is difficult to imagine the regulator instinctively siding with the defence.

## Reed Elsevier

The trouble with highly-rated companies like Reed-Elsevier is that they have to run fast to stand still. The fall of nearly 3 per cent in Reed's shares after yesterday's interim results suggests disappointment with the pace of organic growth. The impact of last year's acquisitions, notably Official Airline Guides (OAG), accounted for £15m out of the £33m increase in pretax profits. But to worry too much about how much organic growth may be evident at any one stage of the cycle may be to miss the point. Reed Elsevier's longer term future depends heavily on how the group is reshaped by acquisitions.

**FT-SE Index: 3138.2 (-28.8)**

**Reed International**




Source: FT Graphite

The good news is that OAG seems to be working well. Thebad news is that the two large companies at which Reed Elsevier has been looking, Ziff and Mead Data, look expensive. Though Reed is generating large amounts of cash, it would not wish to see its interest cover reduced below six or seven times. It thus has around £1bn to play with. It cannot afford both Ziff and Mead and needs to negotiate indicated prices down substantially. There is little danger of it overpaying, but some nimble footwork is required before the next large purchase is secure.

## Royal Insurance

Royal has trailed the top flight of UK insurance companies for so long that yesterday's half-year figures are something of an event. Pre-tax profits to the end of June were £191m. That is £10m higher than reported by Commercial Union earlier this week and only a shade less than General Accident. Yet the market values Royal at around £1.7bn, against £2.6bn for GA and over £3bn for CU. Unless Royal's earnings are significantly lower quality than those of its rivals, this relative valuation is difficult to defend.

Royal's exposure to UK domestic property insurance is certainly a reason for caution. Last winter was especially benign in terms of weather. While all the composite insurers will have to accept lower margins in the UK as rate competition increases, Royal's mix of business could lead to more volatile returns. Its performance in the US also remains a concern. Even allowing for the impact of bad weather in the first quarter, Royal is struggling to turn the business around. If the company can start to convince on that score, though, it will deserve a rating more in line with its peers.

## Shell

As far as their views on oil prices are concerned, BP and Shell seem suddenly to have switched roles. BP, traditionally bullish, was distinctly lukewarm last week while Shell, historically cautious, now appears more upbeat. The change is curious since, as yesterday's interim figures showed, Shell benefits less than BP from a higher oil price. Not only does Shell have more downstream business, where margins tend to be squeezed when the oil price rises; it also has more exposure to high tax rate countries, which damps the earnings impact of price fluctuations.

Even allowing for that and for an undisclosed tax hit in the second quarter, the fall in Shell's exploration and production earnings compared with the first three months was disappointing. Nor was there much sign of the benefits of Shell's cost-cutting programme, but then it was always unrealistic to expect the same sort of transformation being wrought at BP, given that Shell was much more efficient to start with.

For oil price bulls, there is greater upside in BP which is also more geared to recovery in European petrochemicals while Shell will suffer more pain from the slump in east Asian refining margins. Although BP's share price has outperformed Shell's over the past two years, it still stands at a fat earnings discount which is increasingly hard to justify.

## Bonds

Interest rate rises in Sweden and Italy yesterday set alarm bells ringing in bond markets across Europe. But the logic which suggests that other countries are bound to follow looks flawed. Sweden and Italy both face specific problems in reducing their budget deficits which are not replicated elsewhere.

True, their moves are a reminder that a general turn in rates is inevitable once the recovery is firmly entrenched. But despite falls of over 1 point in the German government bond market, the Bundesbank is unlikely to tighten in the short term. Indeed if currency pressures on high deficit European countries intensify, a strong D-Mark may speak for delay.

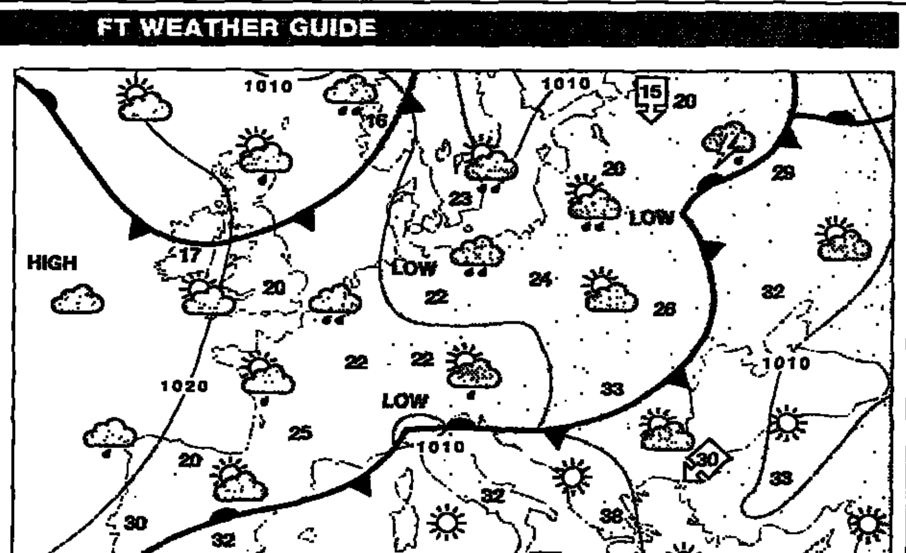
FT WEATHER GUIDE

## Europe today

A depression over the Norwegian Sea will direct cool, unstable air into the Norwegian coast following a rain-bearing cold front. Showers will reach the coast and there will be few breaks in the cloud. Another depression over northern Germany will trigger showers over the Lowlands, southern Sweden and the Baltics. Portugal, France and Alpine countries will have sunny periods with an odd shower. Tropical heat and sunny skies will influence the Mediterranean. Turkey and the Ukraine will have temperatures well above 30C with mostly clear skies. Thunder showers will erupt just north of the Black Sea.

## Five-day forecast

Conditions will become settled over the Benelux this weekend as high pressure builds over the North Sea. The high will move towards Scandinavia early next week, replacing unsettled and cool conditions. The UK will have more sunshine, but with scattered to broken cloud. As low pressure develops over France, there will be a warming trend from the Low Countries to the UK. The Ukraine, Turkey and Greece will notice a drop in temperatures as cool air is drawn south.




Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

**TODAY'S TEMPERATURES**

| | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Maximum | | Beijing | fair | 32 | Caracas | thund | 28 | Faro | sun | 27 | Madrid | sun | 31 | Rangoon | drzzl | 29 |
| | Celsius | | Belfast | fair | 17 | Cardiff | fair | 20 | Frankfurt | shower | 21 | Majorca | sun | 31 | Reykjavik | shower | 12 |
| Abu Dhabi | sun | 43 | Belgrade | fair | 32 | Casablanca | fair | 27 | Geneva | fair | 24 | Malta | sun | 38 | Rio | drzzl | 26 |
| Accra | cloudy | 30 | Berlin | fair | 23 | Chicago | rain | 28 | Gibraltar | sun | 31 | Manchester | cloudy | 18 | Rome | sun | 30 |
| Algiers | fair | 35 | Bermuda | fair | 32 | Cologne | thund | 18 | Glasgow | fair | 18 | Manila | cloudy | 33 | S. Frsco | sun | 22 |
| Amsterdam | thund | 18 | Bogota | cloudy | 20 | Dakar | shower | 30 | Hamburg | fair | 22 | Melbourne | rain | 14 | Seoul | rain | 31 |
| Athens | sun | 37 | Bombay | drzzl | 31 | Dallas | sun | 34 | Helsinki | fair | 22 | Mexico City | cloudy | 22 | Singapore | cloudy | 31 |
| Atlanta | fair | 31 | Brussels | thund | 18 | Delhi | thund | 29 | Hong Kong | fair | 31 | Miami | thund | 31 | Stockholm | fair | 24 |
| B. Aires | fair | 27 | Budapest | thund | 27 | Dubai | sun | 41 | Honolulu | fair | 33 | Milan | sun | 30 | Strasbourg | shower | 24 |
| B.ham | fair | 21 | C.hagen | shower | 21 | Dublin | cloudy | 17 | Istanbul | sun | 35 | Montreal | fair | 26 | Sydney | fair | 20 |
| Bangkok | fair | 33 | Cairo | sun | 39 | Dubrovnik | sun | 32 | Jakarta | fair | 32 | Moscow | shower | 21 | Tangier | fair | 27 |
| Barcelona | sun | 28 | Cape Town | shower | 16 | Edinburgh | fair | 19 | Jersey | cloudy | 20 | Munich | shower | 22 | Tel Aviv | sun | 35 |
| | | | | | | | | | Karachi | cloudy | 20 | Nairobi | cloudy | 20 | Tokyo | fair | 33 |
| | | | | | | | | | Kuwait | sun | 44 | Naples | sun | 31 | Toronto | fair | 24 |
| | | | | | | | | | L. Angeles | fair | 29 | Nassau | thund | 32 | Vancouver | fair | 23 |
| | | | | | | | | | Las Palmas | cloudy | 27 | New York | shower | 28 | Venice | sun | 30 |
| | | | | | | | | | Lima | cloudy | 15 | Nice | sun | 28 | Vienna | fair | 23 |
| | | | | | | | | | Lisbon | fair | 24 | Nicosia | sun | 37 | Warsaw | shower | 24 |
| | | | | | | | | | London | fair | 22 | Oslo | fair | 24 | Washington | thund | 32 |
| | | | | | | | | | Luxbourg | shower | 19 | Paris | thund | 24 | Wellington | thund | 20 |
| | | | | | | | | | Lyon | sun | 26 | Perth | cloudy | 17 | Winnipeg | thund | 28 |
| | | | | | | | | | Madeira | fair | 28 | Prague | thund | 23 | Zurich | fair | 21 |

FINANCIAL TIMES
# COMPANIES & MARKETS
Friday August 12 1994





## IN BRIEF

### Lac spurns bigger Royal Oak offer

Lac Minerals, the Canadian mining group trying to fend off unwelcome predators, has rejected a C$2.4bn (US$1.73bn) takeover bid from Royal Oak Mines, the much smaller Vancouver-based gold producer. Page 14

**Hopes of increased bid boost Esab shares**
Shares in Esab, the Swedish welding group, defied a general fall on the Stockholm stock exchange as investors gambled on a higher takeover bid from Charter, the UK industrial group. Page 14

**Asset sales lift Thomson profits**
Thomson Corporation, the Canadian travel and publishing group, recorded a 39 per cent rise in second quarter earnings after being helped by gains from asset sales. Page 15

**Goodwill Games hurt TBS income**
Turner Broadcasting System, the US entertainment and news group, yesterday reported a sharp drop in second quarter net income from $31m to $13m, following losses on the 1994 Goodwill Games in St Petersburg. Page 15

**Loans move signals sea-change on Wall St**
Three of the US's largest securities houses have recently started to set up commercial loans units. Page 15

**SCI buys funeral stake**
Service Corporation International, North America's largest funeral group, yesterday continued its aggressive foray into the UK burial business by buying a 3 per cent stake in Plantsbrook, the sector's largest quoted company. Page 18

**Smith & Nephew on acquisition trail**
Smith & Nephew, the UK healthcare group, is "actively looking for acquisitions", Mr John Robinson, chief executive, said yesterday. A disposal earlier this week left gearing at just 4 per cent and the company is likely to have a net cash position by the end of 1994, he said. Page 18

**BOC suffers from Forane factor**
BOC, the UK industrial gases and healthcare company, continues to suffer from depressed sales in pharmaceuticals following the expiry of the patent on its anaesthetic gas in the US, Forane. Page 18

**Property sales help Swire Pacific**
Swire Pacific, the Hong Kong-based property, aviation and trading group, reported a 14 per cent rise in first-half net profits, boosted by property sales and steady growth in rental income. Page 16

**Tin puzzles over China**
The tin industry is obsessed by the question of when the Chinese government will gain tighter control over its recalcitrant tin miners. Page 26

**Bourses derailed by Swedish rate rises**
Swedish rate rises derailed bourses after a morning on the upgrade, while Italy's increase came too late to make its impact Back Page

**Companies in this issue**



**Market Statistics**



## Chief price changes yesterday

| | | | |
|---|---|---|---|
| **FRANKFURT (DM)** | | | |
| **Rises** | | | |
| Asko | 1035 | + | 35 |
| Bilfinger Berg | 840 | + | 17 |
| Kaufhof | 527 | + | 7 |
| VEW | 375 | + | 20 |
| **Falls** | | | |
| Deutsche Bank | 706 | – | 17.5 |
| Mannheim Vers | 740 | – | 10 |
| **NEW YORK ($)** | | | |
| **Rises** | | | |
| Gap Stores | 38¾ | + | 2⅝ |
| Intel | 60¾ | + | ½ |
| Lotus Dev | 41 | + | 4¼ |
| Microsoft | 55⅛ | + | 1⅛ |
| Neutrogena | 26¾ | + | 5 |
| US Bioscience | 6⅞ | + | ⅝ |
| **PARIS (FFr)** | | | |
| **Rises** | | | |
| CGIP | 1208 | + | 22 |
| Immobanque | 787 | + | 12 |
| **Falls** | | | |
| Alcatel | 623 | – | 11 |
| Cr Foncier | 986 | – | 19 |
| L'Oreal | 1173 | – | 22 |
| Promodes | 902 | – | 31 |
| **TOKYO (Yen)** | | | |
| **Rises** | | | |
| Nippon Soda | 457 | + | 18 |
| Sony | 6000 | + | 20 |
| Takasago | 852 | + | 14 |
| Yamaha Motor | 808 | + | 12 |
| **Falls** | | | |
| Hitachi | 1000 | – | 20 |
| Matsushita Elec | 1770 | – | 10 |

New York prices at 12.30.

| | | | |
|---|---|---|---|
| **LONDON (Pence)** | | | |
| **Rises** | | | |
| Beapak | 288 | + | 14 |
| Bullers | 16¾ | + | 3¼ |
| East Mid. Elect | 692 | + | 40 |
| Elswick | 17 | + | 5 |
| Horace Small | 84 | + | 6 |
| Lon. Elect. | 645 | + | 61 |
| Millgate | 34 | + | 4 |
| Relyon | 238 | + | 21 |
| Ross Evans | 104 | + | 13 |
| Shanks & McEwan | 97 | + | 13 |
| Southern Elect | 714 | + | 51 |
| Tadpole Tech | 418 | + | 21 |
| Tiphook | 38 | + | 4 |
| UMECO | 66 | + | 8 |
| **Falls** | | | |
| Acatos & Hutch. | 307 | – | 16 |
| Aston | 199 | – | 14 |
| BOC | 714 | – | 30 |
| Gen. Accident | 570 | – | 13 |
| GKN | 640 | – | 17 |
| Johnson Clean | 297 | – | 20 |
| Mersey Docks | 431 | – | 24 |
| RMC | 971 | – | 18 |
| Real Time Cont | 148 | – | 12 |
| Reed Intl. | 806 | – | 22 |
| Severn Trent | 549 | – | 10 |
| Shell Trans | 718 | – | 12 |
| Union | 114 | – | 8 |

Anglo-Dutch publisher plans acquisitions and New York listing as profits rise 12%

# Reed Elsevier seeks to raise profile in US

By Tim Burt in London

Reed Elsevier, the Anglo-Dutch information and publishing group, yesterday said it was considering making a bid to expand its presence in the US.

The group has been conducting due diligence on Ziff Communications, the world's largest publisher of computer magazines, and Mead Data Central, the electronic information arm of Mead Corporation, the US paper group, and is expected decide whether to make an offer on either next month.

Mr Ian Irvine, Reed Elsevier's co-chairman, said the group made operating profits in the US of £134m ($207.7m) in the first half of this year. Gains in North America helped lift pre-tax profits 12 per cent to £314m in the six months to June 30.

Acquisitions in English language markets are part of the group's long-term strategy, but Mr Irvine warned that the current prices demanded for Ziff and Mead Data "were nowhere near our expectations".

City analysts said Ziff – the privately-held publisher with annual sales of about $1bn – was on the market for between $2bn and $3bn, while Mead Data – the world leader in providing on-line and CD-Rom legal information – could fetch more than $1bn.

Reed Elsevier would be prepared to borrow up to £1bn to finance acquisitions, but would proceed only if the target businesses promised to generate substantial cash.

Analysts said such borrowings could increase full-year interest payments to more than £80m. Net interest expenses in the first half rose to £36m (£14m) on net borrowings of £552m.

Mr Irvine ruled out a rights issue to finance the deals, saying debt-financed acquisitions would prove cheaper as long as the group maintained its healthy cash flow. At the interim stage, operating cash flow stood at £217m before exceptional items.

Mr Pierre Vinken, co-chairman, said the group would also raise its profile in North America by seeking a listing in New York. "This move recognises the increasing importance of Reed Elsevier's business in the US and the desire to achieve a broader ownership of shares in Reed International and Elsevier."

The listing could also make it easier for the group to raise dollar-denominated loans.

Analysts suggested that plans for large US acquisitions and the New York listing were hatched by Mr Peter Davis, Reed Elsevier's former co-chairman who resigned in June. Mr Vinken, however, said: "Mr Davis's departure had nothing to do with strategic differences. It was all about refocused responsibilities."

The group is next week expected to announce a compensation package for Mr Davis, who earned £636,592 last year including performance-related bonuses. Although one analyst said he could receive £800,000, Mr Irvine said: "The package will be well within the maximum that could have been paid." Shares in Elsevier, which is planning a 10-for-1 share split to improve liquidity, ended down Fl 2.10 at Fl 171.90 in Amsterdam. Reed International shares closed down 22p at 806p in London.

Lex, Page 12; Results, Page 19; Market, Page 27

Ashley Ashwood
Ian Irvine and Pierre Vinken, co-chairmen of Reed Elsevier, at yesterday's results meeting in London

# Shell optimistic despite fall in profits

By Peggy Hollinger in London

Royal Dutch/Shell yesterday sought to offset news of a sharper than expected decline in second quarter profits with encouraging comments on the outlook for oil prices this year.

Demand was increasing more rapidly than expected and prices could remain above second quarter levels for the rest of the year, the group said. The statement contrasted with Shell's warning in February that it expected oil prices to remain depressed.

Although crude prices were on average 12 per cent lower during the second quarter at about $16.05 a barrel, by the end of the period they had recovered to levels similar to those achieved in the same period of 1993. Disrupted production in Nigeria had helped prices improve further since June. "The signs are more optimistic," the company said.

Shell announced a 7 per cent drop in profits on a replacement cost basis – which excludes the effects of inventory changes – to £574m ($889.70m) for the second quarter. Interim profits were 4 per cent lower at £1.52bn.

The second quarter decline was due to lower oil prices and a sharp drop in refining margins, as well as charges and currency losses totalling a net £211m. This included a £322m gain on a property sale in Hong Kong.

Stripping out the £133m net exceptional charges and £78m in currency losses, underlying profits fell by 12 per cent to £785m. This was £100m less than had been expected, and Shell's shares in London fell 12p to 718p.

Analysts said they were disappointed at the performance of the exploration and production business, which saw profits fall by 43 per cent to £233m in the quarter. "BP and Chevron managed to offset oil price weakness with cost reduction," said Mr Fergus McLeod of brokers NatWest Securities. "That does not seem to be coming through at Shell." Shell began to cut costs later than its rivals, but is also widely acknowledged to be an efficient, company with less fat to cut.

The upstream business was hit by a higher tax rate as well as the low oil price and exceptional items. This offset the benefits of higher volumes in both oil and gas. Shell increased its net crude production and natural gas sales outside the US by 8 per cent.

Downstream activities such as refining and marketing were also affected, returning profits 10 per cent lower at £455m.

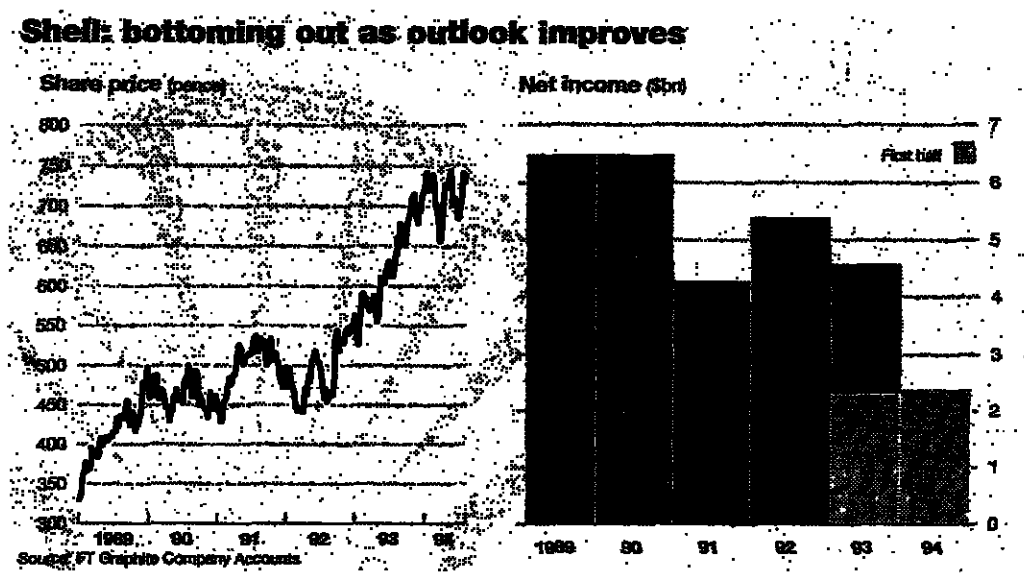
The chemicals business returned to the black with profits of £92m before exceptional charges of £162m. After the charges – mainly related to a fire in a US petrochemicals plant, property losses and asset sales – losses were more than halved at £70m. Shell said the division was showing encouraging growth, with volumes 11 per cent ahead in the quarter.

Metals incurred a £108m loss, reflecting costs related to the £1.14bn sale of Billiton to Gencor. Shell is planning to float its Australian mining assets and sell its Chilean copper mine this year. These disposals are expected to more than offset the metals loss.

Interim dividends for Royal Dutch and Shell Transport, which account for 60 and 40 per cent of the group's profit respectively, will be announced on September 15.

Lex, Page 12

**Shell: bottoming out as outlook improves**




Source: FT Graphite Company Accounts

# SKF back in black on car upturn

By Christopher Brown-Humes in Stockholm

The recovering European automotive industry provided the impetus for a strong first-half performance at SKF, enabling the world's leading maker of roller bearings to rebound to a SKr817m ($105m) profit from a SKr469m loss.

The result, at the top end of expectations, was driven by a 13 per cent increase in volumes which pushed sales up 14 per cent to SKr16.6bn. But it was accompanied by warnings that demand was unlikely to rise as rapidly in the second half.

Mr Mauritz Sahlin, managing director, said: "There are now signs that inventory build-ups are beginning to occur. Eventually such build-ups usually lead to a levelling off in demand."

The warning did nothing to disturb the group's forecast of full-year profits of SKr1.5bn. However, general turbulence on the Swedish stock market caused by higher interest rates saw SKF's B shares fall SKr6 to SKr148.

In the second quarter, profits amounted to SKr511m, swinging from a SKr114m loss, as sales rose 17 per cent to SKr8.57bn.

The group's revival has been driven by rising demand from European car and truck producers and double-digit productivity gains. SKF is a significant supplier to most of Europe's largest vehicle manufacturers, except Renault.

Mr Sahlin said: "New car sales began to recover in Germany and after six months matched the level achieved during the preceding year. France and Great Britain showed improvements in sales, each with second quarters that were stronger than the first."

The company said it was continuing to win market share, with supplies to customers increasing faster than production. It also benefited from a rising sales trend in the US market and from better figures from its two other segments, machinery and after-market.

The group's main unit, bearings and seals, made a first-half profit of SKr749m, against a SKr251m loss, as sales increased to SKr15.4bn from SKr13.5bn.

Ovako Steel also returned to the black, posting a SKr74m profit on sales of SKr1.92bn. The turnround from a SKr224m loss was helped by restructuring, a better product mix, higher demand and rising prices.

# Chemicals recovery helps Veba maintain momentum

By Christopher Parkes in Frankfurt

Veba, the energy-based conglomerate, has continued its profits drive with a 30 per cent increase in first-half pre-tax earnings.

Following the 18.5 per cent rise in the first quarter, Germany's second-biggest electricity provider yesterday repeated forecasts of a significantly improved result for the full year.

Revitalised by restructuring in its chemicals divisions, and reinforced with new electricity operations in east Germany, Veba earned DM1bn ($600m) in the review period on sales up 7 per cent to DM35.5bn.

The interim result, published in a letter to shareholders yesterday, included a DM120m provision for further cost-cutting in chemicals. Including the closure of a rubber production plant, the action is intended to reduce annual labour costs by DM300m.

Measures already taken had led to a considerable improvement in operating results from chemicals, although extraordinary items meant the half-year figure remained negative. At the end of the half, the divisions employed 32,430, some 14 per cent fewer than at the end of 1993.

Total deliveries from the Hüls chemicals division rose 15 per cent, or 10 per cent after adjustment for consolidations and disposals. In common with other German chemicals makers, Veba reported most volume increases going to foreign customers. Domestic deliveries rose only slightly.

Turnover from electricity increased 29 per cent to DM8bn, due to the inclusion of majority stakes in five regional utilities in the former East Germany.

Power deliveries from the PreussenElektra subsidiary rose 20 per cent due to the acquisitions, while deliveries in the west showed above average growth of 1.3 per cent.

The oil business also showed better profits on turnover up 5 per cent at DM7.5bn, although Veba said the result was still unsatisfactory.

Services, transport and trade, contributing DM14.9bn to total sales, also generated earnings above last year's high level.

After adjustments for consolidation effects, and the inclusion of 5,600 east German electricity workers, the total workforce increased 1.7 per cent to 130,500 in the review period.

# Power price controls lift shares

By Michael Smith in London

Shares in the regional electricity companies of England and Wales rose sharply yesterday as investors welcomed a regulatory review which consumer organisations and opposition parties dismissed as inadequate.

Professor Stephen Littlechild, director general of Britain's Office of Electricity Regulation, said he was cracking down on the companies. He said the price controls would save families an average of £70 ($108) to £90 over the next five years.

His formula, under which permitted prices in power distribution businesses will fall next April by between 11 and 17 per cent, was accepted immediately by three of the 12 regional companies to which they apply.

Although the other nine could still appeal to the Monopolies and Mergers Commission, they are expected to follow the lead of Yorkshire Electricity, East Midlands Electricity and Seeboard in accepting the decision.

After next year's price cuts, electricity companies will be required to restrict annual distribution price rises, which make up more than a quarter of final bills, to 2 percentage points below inflation.

The stock market welcomed the review. Share prices in the companies rose by up to 10 per cent with London Electricity, up 61p to 645p, leading the way. Southern Electric was up 51p to 714p, and Eastern Electricity rose 30p to 739p, a new high.

The National Consumers' Council said the cuts did not go far enough and failed to redress the balance between companies, shareholders and consumers after recent excessive profits.

Environmental groups were angered by the absence of stronger measures to encourage energy efficiency.

Prof Littlechild said prices in the regional companies' distribution businesses were too high, but added: "If companies are going to make significant profits they're going to have to work much harder than at present."

He denied being too soft on companies. "I have allowed these (current) price controls to run on because that's the period they were set for – five years. Now those terms are finished, it's time for me to crack down – and that's what I'm doing."

Lex, Page 12; Market, Page 27

## INTERNATIONAL COMPANIES AND FINANCE

# Lac spurns bigger Royal Oak offer

By Bernard Simon in Toronto

Lac Minerals, the Canadian mining group trying to fend off unwelcome predators, has rejected a C$2.4bn (US$1.73bn) takeover bid from Royal Oak Mines, the much-smaller Vancouver-based gold producer.

Royal Oak earlier this week raised its cash-and-shares offer from C$2.2bn, mainly by improving the cash component. But Lac yesterday produced a long list of objections, claiming the bid is "inadequate and not in the best interests of Lac and its shareholders".

Lac has also received an unsolicited bid from American Barrick, the Toronto-based gold producer. Although the Barrick offer is worth slightly less than Royal Oak's, it has the advantage of including Barrick's relatively liquid and well-regarded stock.

It would come as no surprise however, if Barrick sweetened its offer within the next week or two.

Mr Jim Pitblado, Lac chairman, said yesterday that "there is significantly greater value for shareholders in keeping Lac independent than there is in Royal Oak's revised offer".

He noted that 70 per cent of the offer comprises paper based on Royal Oak's "low-quality, short-lived and high cost assets".

In addition, "the highly leveraged balance sheet of the proposed combined company would leave it with no ability to finance its exciting development opportunities".

But Mr Victor Flores, who manages a gold fund for United Services Advisors of San Antonio, Texas, which owns a sizeable block of Lac shares, predicted that, following the spate of bids, the battle for Lac could be close to a conclusion.

"If anyone else wants to make an offer, they'd better do it pretty quickly," Mr Flores said.

Lac hopes that several US gold-fund shareholders will back its fight for independence on the grounds that they want a diversified portfolio and are already at or close to their prescribed limits on American Barrick shares.

But Mr Bill Martin, who runs a gold fund for Benham Capital Management in San Francisco, said that the decision would probably come down to "the best price you can get for Lac".

# PepsiCo to launch ready-to-drink coffee

By Richard Tomkins in New York

PepsiCo, the US soft drinks company, yesterday signalled its intention to launch an assault on one of the few untapped areas of potential growth in the US beverage industry: the market for ready-to-drink coffee in bottles and cans.

Its Pepsi-Cola subsidiary said it had formed a partnership with Starbucks Coffee, the hottest name in the fast-growing US gourmet coffee bar sector, to develop a range of coffee-based drinks that will be sold through the same outlets as existing Pepsi-Cola drinks.

Test marketing should begin next year.

Pepsi-Cola said the drinks would be marketed under the Starbucks name because this had become the premium coffee trademark in the US.

Initially they will probably be sold in bottles from refrigerated units. However, the partnership is also considering selling hot coffee in cans.

The formation of the partnership will be seen in the beverage industry as an attempt to emulate the striking success in the US of ready-to-drink iced tea, which in the last few years has become a $1.5bn-a-year market.

PepsiCo has already entered the iced tea sector through a similar joint venture which it formed with the Thomas J. Lipton tea company in January 1992, under which it sells a number of flavoured tea drinks under the Lipton Original brand.

Ready-to drink coffee is already available in the US, but it is still a small category.

One company in the business is General Foods, part of the Philip Morris food and tobacco group, and Coca-Cola is believed to be poised to enter the market.

The Seattle-based Starbucks has grown from 11 stores in 1987 to become the leading retailer of specialty coffees in North America, with more than 400 outlets.

In the process it has helped cultivate a taste in the US for gourmet and specialty coffees.

# First-half profits surge at Royal Insurance

By Richard Lapper in London

Royal Insurance, the UK composite insurer, yesterday confirmed the extent of its recovery when it posted pre-tax profits of £191m ($296.5m) for the first six months of 1994, £139m more than in the same period last year.

Like the results of its rivals General Accident and Commercial Union earlier this week, Royal's figures exceeded most expectations, reflecting especially buoyant trading conditions in the UK market, where rates have increased and claims fallen over the last year.

The insurer recorded an underwriting profit of £78m in the UK, where between 1990 and 1992 it was badly hit by heavy weather and recession-related losses.

Mr Richard Gamble, group chief executive, said his company's performance was its "best ever" in the UK, and the results were at least as good as those of competitors, whose shares are more highly rated by the markets.

"We are back with the pack," he said, adding that the group was "better placed than ever before to maintain a disciplined approach to any change in market conditions".

UK underwriting profits from domestic (home buildings and contents) business amounted to £53m, with the company's operating ratio (claims plus expenses as a percentage of premiums) falling to 83.7 per cent from 101.5 per cent last year.

Royal said that rate competition was not as tough as predicted, while the frequency and severity of claims was falling as a result of both milder weather and improvements in the broader economy.

In the US, Royal was hit by losses of more than £17m from the Los Angeles earthquake and a number of heavy weather claims. Total US underwriting losses were $185m, compared with $153m last year.

Canadian underwriting losses fell to C$32m from C$37m, and the group broke even on its underwriting in other international territories, making a £6m surplus in the Caribbean and South America.

Analysts were encouraged by a higher than expected increase in the interim dividend to 4p a share, from 2.5p last year.

The markets marked the shares up 6p to close at 265p.

Mr Stephen Bird, analyst with Smith New Court, said that in spite of this week's positive news from insurers, investors have shown little interest in the sector and still fear competition could dampen profitability.

Worldwide general insurance premium income rose 3 per cent in underlying terms to £1.78bn from £1.88bn. Long-term premiums fell 3 per cent in underlying terms to £607m.

Total investment income showed a small reduction to £243m, from £245m. Worldwide new annual life premiums rose 3 per cent to £51m, with new single premiums falling 12 per cent to £282m. The group's estate agencies incurred losses of £6m and loan interest amounted to £16m.

Lex, Page 12

# Hopes of increased bid boost Esab shares

By Hugh Carnegy in Stockholm

Shares in Esab, the Swedish welding group, yesterday defied a sharp general fall on the Stockholm stock exchange as investors gambled on a higher bid from Charter, the UK industrial group.

In spite of a near 2 per cent fall in the general index sparked by an unexpected rise in interest rates, Esab B shares rose a further SKr5 to SKr365, SKr20 above Charter's offer of SKr345 per share.

The takeover ran into trouble earlier this week when five Swedish institutional shareholders, holding almost 20 per cent of the voting capital in Esab rejected the Charter bid, saying it was underpriced.

Charter already holds acceptances worth 53 per cent of the votes, but set a condition of winning 90 per cent acceptances by today's deadline in order to achieve a complete takeover of the world's largest welding equipment supplier.

Charter said it would see how holders of the balance of the shares reacted before deciding its next move, which is not expected before the weekend.

The UK company still insists its bid – recommended by the Esab board and accepted by Esab's controlling shareholder, the Wallenberg company Incentive – is fair, but many minority shareholders believe a higher offer is likely.

Charter has not publicly ruled out raising the bid in light of a sharply increased profit forecast issued by Esab earlier this week and the rise in the Esab share price. But Mr Jeffrey Herbert, the chief executive, has also suggested Charter could pull out of the deal, as its agreement with Incentive allows if the 90 per cent level is not reached.

However, in Stockholm, shareholders believe Charter will be reluctant to walk away from an acquisition which so neatly satisfies its long search for a fourth international industrial arm to add to its interests in building equipment, coal and rail track equipment.

# KLM starts year strongly as profits soar to Fl 122m

By Ronald van de Krol in Amsterdam

KLM Royal Dutch Airlines posted a strong increase in net profit in the first quarter of 1994-95, reflecting good demand for air travel sparked by general economic recovery as well as the company's cost-cutting efforts

Net profit surged to Fl 122m ($69.3m) in the three months to June 30 from Fl 40m a year earlier. Per-share profits were up 82 per cent at Fl 1.31 after the 60 per cent expansion of KLM's ordinary share capital in early 1994.

KLM said part of the profit increase was due to its partnership with Northwest Airlines of the US, including the two companies' recent joint launch of a new business class.

The Dutch national carrier said it was "cautiously optimistic" for the rest of the year but it made no specific profit forecast.

Total traffic, comprising passengers, mail as well as cargo, was up 12 per cent. But yields were down 3 per cent, due to the relatively stronger growth of cargo traffic and the continued trend among passengers towards seeking out cheaper seats and lower fares.

Turnover rose by 7 per cent to Fl 2.26bn, while costs were up 5 per cent at Fl 2.05bn. Unit costs fell 6 per cent.

KLM said the reduction of financial expenses by Fl 14m to Fl 92 was due to a rise in interest income.

The results contributed by associate airlines swung into to a positive Fl 7m from a negative Fl 7m in the same 1993-94 quarter. This item covers KLM's share in the results of companies like Air UK as well as Dutch charter airlines.

KLM gradually wrote down the value of its 20 per cent stake in Northwest during the years that the US airline was loss-making, so Northwest's figures are no longer included. Northwest has since returned to profit.

# Fokus Bank extends recovery

By Christopher Brown-Humes

Fokus Bank, Norway's third largest commercial bank, said yesterday that first-half profits after loan losses rose to NKr178.9m ($26m), up from NKr145.8m a year earlier. Lower costs and reduced loan losses compensated for losses on securities, it stated.

Mr Bjarne Borgersen, the bank's acting managing director, described the result as "very satisfying". The figures consolidate the recovery achieved last year when the bank reported its first profit for four years.

Fokus was taken over by the state in 1991 during Norway's biggest banking crisis since the second world war.

Net loan losses for the period fell to NKr32.3m from NKr174.7m, ahead of the bank's own projections, as total non-performing loans tumbled from NKr2.7bn to NKr2.09bn.

Expenses were reduced by NKr63.8m to NKr450.3m as part of a sustained cost-cutting exercise.

This year's turmoil in bond markets provided the main drag on the performance. Fokus said it suffered a NKr27.0m net loss on securities after making a profit of NKr89.9m in the first half of 1993.

## NEWS IN BRIEF

### Pernod Ricard sales show fall

Pernod Ricard, the French drinks group, said first-half consolidated revenues totalled FFr7.51bn ($1.39bn) in 1994, down 3.6 per cent from FFr7.79bn last year, Reuter reports from Paris.

Pernod noted that first-half 1993 sales were inflated by anticipatory purchases ahead of a rise in alcohol taxes which took effect during July 1993. Strong foreign and non-alcoholic drink sales this year largely offset this effect.

### SBC expands

Swiss Bank Corporation has entered into a partnership agreement with four regional banks, in an attempt to strengthen its domestic market position, AP-DJ reports from Basle.

The four banks are Bank in Gossau, Sparkassa Berneck, Bank in Niederuzwil, and the Spar und Leihkasse Wartau-Sevelen. Under the agreement, SBC will acquire a 5 per cent stake in each bank. Terms were not disclosed.

### Sabena hopeful

Sabena, the Belgian national carrier, reported first-half earnings were BFr450m ($13.9m) higher than expected, fuelling hopes that the airline might break even in 1994, Reuter reports from Brussels.

"For the first semester we received BFr450m more than we had expected," said Mr Yves Panneels, a company spokesman. Airline sources had been expecting a full-year loss of about BFr2bn.

# Czech bank rallies after heavy loss

By Vincent Boland in Prague

Agrobanka, the Czech Republic's fifth biggest bank, posted a loss of Kcs3bn ($107m) last year after making a big increase in loan-loss provisions, to Kcs4bn. However, the bank said it had recovered in the first half of the current year with a profit of Kcs99m.

The 1993 loss announced yesterday wiped out the bank's capital, leaving it with a negative equity of Kcs400m and with a negative capital adequacy ratio of -0.8 per cent.

The Czech National Bank, the central banking authority, has set a minimum adequacy ration of 8 per cent.



Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Price for Trading on 12.08.94: Pool purchase price £/MWh | Final Prices for Trading on 13.07.94: Pool purchase price £/MWh | Final Prices for Trading on 13.07.94: Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 12.14 | 17.38 | 19.55 |
| 0100 | 9.90 | 11.80 | 13.96 |
| 0130 | 10.76 | 11.80 | 13.96 |
| 0200 | 10.76 | 11.80 | 13.96 |
| 0230 | 10.76 | 11.80 | 13.96 |
| 0300 | 10.76 | 11.80 | 13.96 |
| 0330 | 10.76 | 11.80 | 13.96 |
| 0400 | 10.76 | 11.80 | 13.96 |
| 0430 | 10.76 | 11.80 | 13.96 |
| 0500 | 10.76 | 11.80 | 13.96 |
| 0530 | 9.90 | 10.45 | 10.45 |
| 0600 | 9.90 | 10.46 | 10.46 |
| 0630 | 11.03 | 10.50 | 10.50 |
| 0700 | 12.22 | 17.64 | 18.80 |
| 0730 | 17.18 | 22.99 | 25.15 |
| 0800 | 18.16 | 23.72 | 25.93 |
| 0830 | 27.92 | 25.90 | 28.16 |
| 0900 | 25.74 | 26.74 | 29.19 |
| 0930 | 28.34 | 32.31 | 34.90 |
| 1000 | 32.53 | 32.70 | 35.38 |
| 1030 | 32.60 | 27.95 | 30.73 |
| 1100 | 32.77 | 33.28 | 36.15 |
| 1130 | 33.46 | 39.44 | 42.38 |
| 1200 | 33.53 | 39.31 | 42.20 |
| 1230 | 33.30 | 38.73 | 41.48 |
| 1300 | 32.46 | 27.48 | 30.02 |
| 1330 | 31.50 | 26.44 | 28.79 |
| 1400 | 31.35 | 26.15 | 28.41 |
| 1430 | 22.13 | 26.00 | 28.21 |
| 1500 | 27.88 | 24.59 | 26.79 |
| 1530 | 19.70 | 24.56 | 26.74 |
| 1600 | 22.10 | 23.68 | 25.84 |
| 1630 | 19.70 | 24.57 | 26.75 |
| 1700 | 37.29 | 30.99 | 33.18 |
| 1730 | 37.29 | 30.98 | 33.17 |
| 1800 | 32.40 | 30.95 | 33.13 |
| 1830 | 18.18 | 24.51 | 26.67 |
| 1900 | 17.18 | 22.98 | 25.15 |
| 1930 | 16.88 | 22.98 | 25.14 |
| 2000 | 17.11 | 22.98 | 25.14 |
| 2030 | 16.49 | 22.98 | 25.14 |
| 2100 | 24.25 | 22.73 | 24.89 |
| 2130 | 31.00 | 22.73 | 24.89 |
| 2200 | 31.00 | 22.98 | 25.14 |
| 2230 | 27.41 | 22.98 | 25.14 |
| 2300 | 18.49 | 22.98 | 25.14 |
| 2330 | 16.21 | 22.32 | 24.48 |
| 2400 | 15.25 | 17.43 | 19.59 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading.

## INTERNATIONAL COMPANIES AND FINANCE

# Asset sales lift Thomson profits in second quarter

By Bernard Simon in Toronto

Thomson Corporation, the travel and publishing group controlled by Canada's Thomson family, recorded a 39 per cent rise in second-quarter earnings after being helped by gains from asset sales.

Operating profit from travel and newspapers improved substantially, but there was a small drop in specialised publishing's contribution.

Earnings rose to US$104m, or 18 cents a share, from $75m, or 13 cents a share, a year earlier. The bulk of the increase came from non-recurring gains, mainly the sale of the group's 50 per cent interest in Thomson Directories. Sales climbed to $1.56bn from $1.47bn.

Thomson Travel's operating profit rose to $39m from $31m. Supply and demand for the UK subsidiary's summer holidays this year has been almost in balance. Bookings are currently 18 per cent ahead of last year and should end the season about 15 per cent higher.

Fewer holidays than usual need to be sold in the late part of the season when price-cutting is normally most intense. Furthermore, Britannia Airways, a Thomson subsidiary, is operating at "near maximum" capacity this summer.

Thomson said it had formed a base for expansion into the domestic UK holiday market by buying Country Holidays, the UK's largest holiday cottage letting agency.

The drop in the information and publishing division's profits to $56m from $58m was ascribed to seasonal losses in the education and school-publishing group, and delays in finalising unidentified sales. "Prospects for the full year remain good," the company said.

Operating margins of Thomson's UK regional newspapers continued their recent improvement. The UK-based legal, professional and business publishing group also put in a stronger performance.

Circulation and advertising lineage of its US and Canadian newspapers are "marginally" ahead of last year.

● Gulf Canada Resources said production of natural gas and crude oil declined in the first half of the year primarily due to the divestment of assets in 1993, Reuter reports. The company posted a first-half loss of C$49m, against a loss of C$41m in the first half of 1993.

# Kodak may split L&F subsidiary before sale

By Richard Tomkins in New York

Eastman Kodak, the US photographic products group, has given up the attempt to find a single buyer for its L&F Products subsidiary and is instead proposing to break up the operation before selling it.

The decision emerged from a letter to L&F's employees in which L&F said it would be sold as two separate units: one comprising its world-wide household products, and the other its world-wide do-it-yourself products.

Kodak yesterday declined to comment on the reasons for the split, but there was speculation that it believed it could get a better price for the operations.

Some companies thought to be interested in bidding for L&F may only be interested in one side of the business. For example, Colgate-Palmolive, the US consumer products group which earlier this year expressed an interest in buying L&F for its household products, may have had little interest in acquiring L&F's do-it-yourself business.

Other companies said to have examined L&F include Unilever, the Anglo-Dutch consumer products group, Reckitt & Colman of the UK, and Procter & Gamble of the US.

L&F's household products include Lysol disinfectants and cleaners and Resolve carpet cleaners. On the do-it-yourself side they include Minwax wood finishes and Thompson's waterproofing and staining products.

Kodak put L&F on the market in May as part of a plan to divest peripheral businesses and concentrate on its film and digital imaging operations. Other businesses included in the divestment plans were its Sterling Winthrop drug subsidiary which was sold to Sanofi, the French pharmaceuticals group, for $1.68bn in June.

No price has been put on L&F's operations, but there has been speculation that they could fetch up to $2bn.

● Interco, the US footwear company, is evaluating business alternatives for its footwear operations in an effort to enhance shareholder value, Reuter reports. The company said these include an initial public offering and/or a spin-off to shareholders involving all or a part of the common stock of one or both of Interco's footwear operating companies.

# Loans move signals sea-change on Wall St

## Investment banks eye commercial lending, write Richard Waters and Patrick Harverson

Four years ago, a series of big loans to highly leveraged companies nearly brought First Boston, the US investment bank, to its knees.

When the junk bond market collapsed, it was left holding US$1.2bn of what were meant to be temporary "bridge" loans, which it had planned to refinance in the bond market.

But times have changed in the leveraged finance business. The junk bond market had a record year in 1993 – and CS First Boston (as it is now known) is returning to corporate lending. Only this time, the bank says, it will put the loans on the balance sheet of sister bank, Credit Suisse.

The loans move signals a sea-change on Wall Street. US commercial banks have had their eyes on the junk (or sub-investment grade) bond market for some time. Now, US investment banks are arranging loans for sub-investment grade companies. Unlike in the 1980s, when they advanced large-scale bridge loans to back one-off transactions, they say loans will be a standard service.

Recently, three of the country's largest securities houses – CS First Boston, Merrill Lynch and Lehman Brothers – hired commercial bankers to create commercial loans units.

Wall Street is not planning to compete head-on with the commercial banks for lending business, though. Mr Seth Waugh, who heads Merrill Lynch's corporate bond and high-yield departments in North America, says the decision to originate commercial loans is an extension of the product line Merrill offers to clients, rather than a radical step in a new direction.

At CSFB, Mr Mark Patterson, head of the firm's leveraged finance group, says: "It's a line extension to clients whom we already serve in many other ways. We're not reinventing the banking wheel. All we'll be doing is offering clients the ability to work with our bank on the senior debt layer of their capital structure."

Industry analysts take a similar view. Mr John Keefe, and independent analyst in New York, says: "I don't know if anyone will spend immense amounts of time and effort on it . . . It's more an effort to round out their product line, rather than to staunch any competitive move by [commercial] banks" into the bond business.

There are clear similarities in the approach taken by the three Wall Street firms. Each has its eyes on the sub-investment grade loans market.

Raising money for smaller companies without a strong credit rating is in some ways more profitable than doing business with big ones – there is less competition for the business and fees are higher.

There are other reasons for staying in non-investment grade lending. Mr Waugh explains why Merrill Lynch does not need the capital strength of a bank to originate loans: "Initially, the plan is to stay only in the leveraged part of the market – high-yield, not investment-grade – because it is not as intensive in terms of balance sheet usage."

Wall Street is sizing up the sub-investment grade loans market

The indication from Merrill and the other firms, however, is that they might begin originating loans in the investment grade sector.

In another marked similarity between the firms, each has hired an executive (or two, in the case of Merrill) from Chemical Banking to lead their lending businesses.

That may not be surprising, given that bank's current dominance of the syndicated loans market, and the market for non-investment grade credits.

But Chemical, an agent or co-agent on half of the $22.8bn of such debt raised in the second three months of the year, denies the move will damage its syndicated loans business.

There is one clear difference between the approach taken by the three firms. While CSFB will originate loans on behalf of Credit Suisse, Merrill and Lehman plan to sell their loans on to syndicates of banks, and only occasionally keep part of the exposure on their own balance sheets.

Rivals question this approach. According to one senior investment banker: "It makes a lot of sense for First Boston. It has a parent that's already a bank, a bank that has extraordinary financial strength.

"But for Merrill, it does not make much sense at all. The problem is that you need a whole infrastructure. Anybody can originate a loan, but what about syndication, administration, and how you deal with a work-out if you have a problem? Credit Suisse can do all that, Merrill can't."

Mr Waugh at Merrill disagrees. Getting into the loan business is a natural move for securities firms, he says, because "these days loans are trading much like securities. It's a pretty active and liquid market."

Many investment banks already hold loan assets bought from commercial banks in the secondary market.

Moreover, he says that apart from the short-term commitment of capital required when putting together a syndicate, the new business will not be using any extra capital.

Anyway, says Mr Waugh, "if we hold fewer bonds and more loans, we're improving our balance sheet because by definition loans are more senior than securities."

Such comments carry echoes of the bridge financings of the 1980s: they were meant to be temporary.

With those memories still fresh, the investment banks are likely to tread more carefully this time.

# Samsung Electronics posts fivefold rise

By John Burton in Seoul

Samsung Electronics, South Korea's largest electronics company, reported a more than fivefold rise in net earnings for the first half of 1994 due to a surge in exports of semiconductors.

Profits increased to Won285bn ($354m) from Won56bn a year earlier, while sales increased by 35 per cent to Won5,099bn.

Samsung Electronics, which is the flagship of the Samsung group, is the world's biggest producer of memory semiconductor chips.

Semiconductor profit margins have risen due to increased demand by the global computer industry. The earnings increase also reflects a sharp reduction in depreciation following an accounting policy change.

The half-year results already exceed Samsung Electronic's 1993 profits of Won154bn and analysts estimate that earnings for 1994 will be at least Won350bn. It is also expected this year to become the first Korean company to surpass the milestone of Won10,000bn in sales.

Samsung Electronics' other main businesses include consumer electronics, computers and telecommunications, but analysts believe they are barely profitable.

● Korea Mobile Telecom, the monopoly cellular telephone service, reported net profits up 68 per cent to Won69bn for the first half of 1994.

KMT is one of the country's most profitable companies. Sales increased by 39 per cent to Won333bn due to high growth in cellular subscribers. The number of subscribers has increased by 90 per cent annually since 1988, when the service was introduced.

Growth is expected to continue at the current rate because Korea still has a low diffusion rate of 2 per cent for cellular telephones, while falling prices for handsets are attracting new customers.

# Goodwill Games hurt TBS income

By Bronwen Maddox in New York

Turner Broadcasting System, the US entertainment and news group, yesterday reported a sharp drop in second quarter net income from $31m to $13m following losses on the 1994 Goodwill Games in St Petersburg, and poor results from film releases.

Although revenues for the three months rose to $678m from $487m, helped by acquisitions, operating profits fell by $23m to $74m. Earnings per share dropped to $0.05 from $0.12.

Mr Ted Turner, president, said: "With continuing network expansion domestically and internationally, as well as telecasting the Winter Olympics and the Goodwill Games, we knew 1994 would be financially challenging."

Revenue from entertainment operations rose by $178m to $459m, of which $132m was contributed by acquisitions – New Line Cinema Corp, acquired in January, Castle Rock Entertainment, in December 1993, and Hanna-Barbera Holding, of which TBS bought the outstanding 50 per cent at the end of last year.

Advertising revenue rose by $24m, driven mainly by increased rates for Turner Network Television and an increase in sports revenue.

However, entertainment operating profits fell by $46m, due partly to $26m in second quarter losses from the Goodwill Games. In the 1980s, Mr Turner created the games as an alternative to the Olympics, but so far they have cost TBS $99m. News revenue rose $10m partly from more advertising at Cable News Network.

# Tighter cable rules hit Comcast

By Bronwen Maddox

Comcast Corporation, the cable and cellular telephone group which this month agreed to merge with the QVC home shopping channel, recorded a net loss of $12.9m, or 5 cents a share, for the three months to June 30.

The figures, which compare with a net loss of $17.1m, or 8 cents, in the same period last year, reflect the impact of tighter federal regulation of cable services, in spite of healthy consumer demand for cellular services.

Mr Brian Roberts, Comcast's president, reported that "subscriber growth in cable and cellular businesses continued at a very healthy pace during the second quarter".

However, revenues were static at $340.6m, compared with $340.1m, and operating cashflow fell by 6.9 per cent to $148.6m following moves by the Federal Communications Commission to curb the prices charged by cable operators.

Consumer demand for cellular services provided some compensation and during the second quarter "subscriber additions proceeded at the vigorous pace" of the preceding six months, Mr Roberts said.

The results contributed to a half-year loss of $40.2m for the six months to June 30, against a net loss of $783.7m in the first half of last year. The 1993 six-month loss was struck after a one-off charge of $742.7m following a change in accounting for taxes and employee benefits.

Operating cashflow of $290m for the six months fell by 5.2 per cent.

The dividend is unchanged at 2.3 cents a share for the quarter, making an unchanged 4.7 cents for the half year.

Earlier this month Comcast and Liberty Media Corporate agreed to acquire QVC as part of plans to improve Comcast's programming capability. That followed Comcast's agreement in June to buy the US cable TV businesses of Maclean Hunter for $1.3bn. Comcast estimates the Maclean deal will make it the US's third largest cable operator.

# HK Electric tops market expectations

By Louise Lucas in Hong Kong

Hong Kong Electric, which operates the electric power monopoly on Hong Kong island, has trumped market expectations by turning in a 33 per cent rise in net profits for the first half. Earnings came in at HK$1.73bn (US$224m) against HK$1.3bn in the same period last year.

A warm spell in April and May, sparking heavy use of air conditioners, helped increase unit sales by 10.1 per cent during the half year. Maximum demand for the half year reached a record 1,925MW, up 5.9 per cent on last year. Sales to commercial customers, which account for 70 per cent of the total, rose 10.5 per cent.

Earnings per share hit 86 cents, up from 64 cents in 1992, and shareholders are to receive an improved dividend of 37 cents, compared with 33 cents in the first half of 1993.

Property interests continued to contribute to overall profits, and Mr George Magnus, chairman, expects the rest of 1994 to yield improved growth in electricity sales.

# Gap recovery gains momentum

By Richard Tomkins

Gap, the US casual wear retailer, yesterday continued the strong recovery it made in the first quarter by reporting a 55 per cent increase in net profits to $44.4m from $28.7m in the second quarter to July.

The second-quarter earnings figure – a record for the company – came on a 12 per cent increase in sales to $773m from the comparable period's $693m.

Earnings per share rose from 20 cents to 30 cents.

The result more than outweighed Gap's profits fall in last year's second quarter. Then its results were hit by expansion costs, weak consumer demand and competition from other groups imitating Gap's basic clothing formula.

Since then Gap has shifted its product mix away from simple unisex clothing, such as T-shirts and jeans, to more fashionable merchandise, particularly for women.

Net income for the first half of 1994 rose by 54 per cent to $107.8m from $70.2m.

Turnover rose by 14 per cent to $1.53bn from $1.34bn and earnings per share from 49 cents to 74 cents.

Gap said store-for-store sales increased by 1 per cent in the second quarter.

Better stock control had reduced the need for price cutting on surplus goods, and this, coupled with with an increased emphasis on fashion merchandise, led to higher margins in all divisions.

# Chugai warns on drug price cuts

By Gordon Cramb in Tokyo

Chugai Pharmaceutical, the Japanese ethical drug maker, lifted pre-tax profits 35 per cent in the six months to June but expects that government-imposed price cuts will limit its full-year growth to only 2.8 per cent.

Profits reached Y8.6bn (US$86.87m) halfway, aided by efforts to reduce operating costs as well as by a 5.1 per cent rise in sales to Y76.9bn. For all of 1994, the company is forecasting taxable profits of Y17.5bn on revenues ahead 4.3 per cent to Y158bn.

In April, the Japanese health ministry, concerned at the escalating costs of treating an ageing society, told manufacturers to cut prices of prescription drugs by an average 6.6 per cent.

This was the latest in a series of such reductions, which have hampered earnings growth in the industry. Prescription drugs account for more than 80 per cent of Chugai's sales.

The dividend for the year is to be maintained at Y9 per share although the company is adjusting the interim payment to Y4.50 from Y3.75 to equalise the two halves. Interim net earnings were Y15.42 compared with Y11.89, and the full-year forecast is Y29.62 against Y28.52.

● Pioneer Electronic, the Japanese audio-video equipment maker, is aiming to merge its two US entertainment units, Carolco Pictures and Live Entertainment, around October, a Pioneer spokesman said, AP-DJ reports.

# Swire Pacific first-half earnings reach HK$2.05bn

By Louise Lucas in Hong Kong

Swire Pacific, the Hong Kong-based property, aviation and trading group, yesterday reported a 14 per cent rise in first-half net profits to HK$2.05bn (US$265m) from HK$1.8bn in the same period last year, boosted by property sales and steady growth in rental income.

Earnings per A share increased to 129.4 cents from 113.5 cents. The interim dividend is raised to 33 cents from 29 cents.

The growth in earnings, which was broadly in line with expectations, was signalled on Wednesday with the release of Cathay Pacific's profits.

The airline, which is 52 per cent owned by Swire Pacific, disappointed the market with an 18 per cent rise in interim net profits to HK$803m.

Although expected, Swire's announcement drove the share price down $2 to end the day at HK$59.75.

The biggest gains came from the property and industries divisions. Swire took a HK$273m profit from the sales of properties under development and HK$1.24bn in net rental income.

More than half the 147 apartments in the company's Mid-Levels development have been sold, at an average price of HK$9,784 a square foot, or more than HK$10m for the smallest, 1,094 square foot flat.

The flats were put up for sale weeks before the government announced its intention of taking steps to cool the property market and three months before these measures were unveiled.

In the industries division, beverages businesses in Hong Kong and the US spurred significantly higher profits.

During the first half Swire consolidated its position in this field by acquiring controlling interests in the Taiwan Coca-Cola Bottling Company and BC Development Company, and integrating these with existing soft drink operations in Hong Kong, the US and southern China.

Aviation was redeemed by a jump in profits at Hong Kong Dragon Airlines, which specialises in flights to Asian destinations including China. Increased capacity and improved yields at Dragon Airlines were in contrast to the higher costs and lower margins which affected Cathay Pacific and maintenance company Hong Kong Aircraft Engineering Company.

The strong yen had an impact on the balance sheet as long-term unrealised exchange losses on Cathay Pacific's foreign currency borrowing soared to HK$3.3bn at June 30, compared with HK$2.2bn at the end of 1993.

# Barclays plans loan repurchase

By John Gapper and Conner Middelmann

Barclays Bank yesterday started the process of reducing its capital by proposing to pay back $800m in loan capital. The repurchase is aimed at rebalancing its capital ratios following a fall in its US dollar assets.

Barclays has been considering a number of measures to reduce capital after raising its tier 1 ratio of shareholders' funds to risk-weighted assets to 7 per cent in the first half of the year from 6 per cent at the end of 1993.

The loan capital purchase will not affect its tier 1 ratio but it will cut the overall capital to risk-weighted assets ratio to about 10.5 per cent from 11.1 per cent, and eliminate loan interest payments.

Mr Patrick Perry, Barclays' treasurer, said it "has quite enough capital to be going on with, so it seemed sensible to pay some dollar capital off". It had "no plans" to buy back another $500m such issue.

Barclays is also thought to be considering buying back some $500m in perpetual preference shares included in its tier 1 ratio. It has a total of $940m of such shares and a call option to repurchase $500m can now be exercised.

Such a move would require Bank of England approval, but could reduce its tier 1 ratio to about 6.6 per cent. It might not choose to cut its tier 1 ratio in this way if there was a strong growth in loan demand requiring more capital.

The bank yesterday offered to purchase the two $400m issues of guaranteed capital notes through a fixed-rate tender. The offer is being made by Barclays North American Capital Corporation, and Lehman Brothers is the deal manager.

The purchase price of the 10¼ per cent notes due 2017 will be calculated at a fixed spread of 25 basis points over the yield of the US Treasury 6 per cent note due November 1997.

The price of the 11⅝ per cent notes due 2003 will be calculated at a fixed spread of 30 basis points over the yield of the US Treasury 5¼ per cent note due April 1998.

# European sector hit by surprise rate rises

By Antonia Sharpe in London and Patrick Harverson in New York

The unexpected rises in interest rates in Sweden and Italy sent European government bond markets into a tailspin yesterday. In spite of their lowly status as Europe's high-debt, high-deficit nations, their pre-emptive actions were widely interpreted by investors as harbingers of rate rises in Europe's hard-currency nations.

"These rises came against a backdrop of people re-assessing their outlook on the Bundesbank and the view that we were at the bottom of the interest rate cycle," said Mr Jouni Kokko, international economist at S. G. Warburg Securities.

The markets were also upset by the timing of the rate rises, which came when they were least capable to cope with surprises. Volume in the cash market has been thin in recent weeks, due to the summer holiday season, which means that even the lightest of sell orders can have a strong impact on prices.

Ms Alison Cottrell, international economist at Midland Global Markets, said that Sweden's move would create serious problems for the rest of the Scandinavian bloc, where governments were already having to deal with fiscal issues and referendums on whether to join the European Union.

■ In Sweden, yields rose sharply across the curve after the Riksbank raised the ceiling rate by 50 basis points to 8 per cent and the central repo rate by 28 basis points to 7.20 per cent. The National Debt Office was forced to delayed its bill auction due to the turmoil which was triggered by the rate rise.

The drop in the Swedish currency put additional pressure on the market.

## GOVERNMENT BONDS

At the short end, the rate on six-month treasury bills jumped 71 basis points to 8.74 per cent while the yield on nine-year bonds yield closed up 56 basis points at 11.28 per cent.

■ Ten-year UK gilts fell by nearly two points as many dealers now believe that an autumn rate rise is inevitable. One dealer noted that due to the bearish mood in the market, it would take longer than expected for the Bank of England to complete its recently-announced taps. Of the £700m to be sold, almost £500m still has to be taken up.

On Liffe, the long gilt future fell 1$\frac{11}{32}$ points to 100$\frac{17}{32}$ in volume of 93,400 lots.

■ US Treasury prices fell yesterday morning in the wake of inflation and retail sales data deemed bearish for bonds.

By midday, the benchmark 30-year government bond was down $\frac{13}{32}$ at 83$\frac{28}{32}$, yielding 7.624 per cent. The two-year note was also markedly weaker, down ¼ at 99$\frac{28}{32}$, yielding 6.226 per cent.

The eagerly-awaited July inflation figures produced mixed feelings among bond market investors. The headline 0.5 per cent rise in the producer prices index last month was above expectations, but the bulk of the gain was attributable to higher petrol and coffee prices. Core producer inflation, which excludes the volatile food and energy components, was up only 0.1 per cent in July.

More disturbing for the market, and the factor behind the early declines in bond prices, was the retail sales data. Although sales were reported to have declined by 0.1 per cent last month, analysts latched on to the upward revisions in prior months' sales, in particular an increase in the original estimate of June sales from growth of 0.6 per cent to 0.8 per cent.

The retail sales data unsettled investors and made dealers sceptical about the chances of the afternoon auction of $11bn in 30-year bonds passing off successfully.

See Lex

# Finland raises C$200m over 10 years

By Conner Middelmann

Amid the turmoil in Europe's government bond markets following interest-rate tightening in Sweden and Italy, activity in the eurobond market all but ground to a halt.

## INTERNATIONAL BONDS

The only significant deal of the day was a C$200m issue of 10-year bonds for the Republic of Finland via joint lead managers Paribas and Swiss Bank Corporation. The bonds were priced to yield 27.5 basis points over the Canadian 10-year government benchmark bond at their re-offer price of 99.845.

While the leads reported good demand from the Benelux region and Switzerland, boosted by the 9.5 per cent coupon, other dealers felt the issue had been too tightly priced.

"Given the size and the timing of the deal, I think it should have had an extra 10 basis points" on the spread, said one syndicate manager, adding that the timing of the deal, amid a raft of US inflation indicators, was "bizarre." After the bonds were freed to trade, the spread widened to around 31 basis points.

While more swap-driven Canadian-dollar issues are expected soon, activity is expected to remain quiet near-term, with most of Europe closed for Assumption holiday on Monday.

● The Hong Kong Housing Society, a non-profit making organisation which provides affordable homes for Hong Kong people, issued a HK$2bn floating-rate note for general funding purposes, writes Louise Lucas in Hong Kong.

The 2¼-year notes, the bulk of which will be placed locally, carry an interest rate of 0.85 per cent over the three-month Hong Kong interbank offered rate.

The offering will not be listed on any stock exchange. There is a call option after two years and three months. Wardley Capital arranged the issue and HSBC Markets is book-runner.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book runner |
|---|---|---|---|---|---|---|---|
| YEN | | | | | | | |
| Province of Nova Scotia(a) | 15bn | 5.50 | 100.00 | Aug.2014 | undisd. | - | Yamaichi Intl.(Europe) |
| STERLING | | | | | | | |
| Royal Bank of Scotland(b)‡ | 50 | (b1) | 100.00R | Sep.1998 | 0.25R | - | SG Warburg Securities |
| CANADIAN DOLLARS | | | | | | | |
| Republic of Finland | 200 | 9.50 | 99.845R | Sep.2004 | 0.325R | +27½(8½%-04) | Paribas/ Swiss Bank Corp. |
| AUSTRALIAN DOLLARS | | | | | | | |
| Crédit Local de France | 100 | 9.375 | 101.375 | Sep.2000 | 2.00 | - | Barclays de Zoete Wedd |

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Callable on 25/8/04 & 09 at par. b) Issue launched on Wednesday was increased to £150m. b1) 6-mth Libor +40bp. Interest accrues when Libor is ≤15%.

# Strong demand boosts Thai phone group

By William Barnes in Bangkok

Surging demand for cellular phones in Thailand has enabled United Communications' (Ucom) to report robust half-year net profits of Bt864m ($34.5m). Second-quarter profits were Bt448m.

The results have been consolidated for the first time so no comparable figures are available for 1993.

"The growth in the cellular phone business has made Ucom one of Thailand's fastest growing companies," said Mr Dan Fineman of Jardine Fleming Thanakom Securities.

Approximately 55 per cent of Ucom's profits come from cellular phones. Jardine Fleming believes cellular phone sales will climb by 60 per cent this year to 741,000 and that Ucom's full-year net profit will be Bt1.8bn.

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 9.000 | 09/04 | 96.9100 | -0.500 | 9.48 | 9.24 | 9.59 |
| Belgium | | 7.250 | 04/04 | 93.5000 | -1.350 | 8.24 | 7.97 | 7.79 |
| Canada * | | 6.500 | 06/04 | 83.7500 | +0.050 | 9.03 | 8.94 | 9.01 |
| Denmark | | 7.000 | 12/04 | 88.9000 | -1.950 | 8.86 | 8.10 | 8.17 |
| France | BTAN | 8.000 | 05/98 | 102.5000 | -0.980 | 7.21 | 6.69 | 6.90 |
| | OAT | 5.500 | 04/04 | 85.0000 | -1.620 | 7.75 | 7.29 | 7.36 |
| Germany Bund | | 6.750 | 05/04 | 96.8800 | -1.250 | 7.20 | 6.85 | 6.88 |
| Italy | | 8.500 | 04/04 | 84.0000 | -2.600 | 11.26† | 10.69 | 10.08 |
| Japan | No 119 | 4.800 | 06/99 | 103.2550 | +0.080 | 4.00 | 3.86 | 3.63 |
| | | 4.100 | 12/03 | 96.4460 | +0.350 | 4.65 | 4.58 | 4.40 |
| Netherlands | | 5.750 | 01/04 | 90.2200 | -1.020 | 7.21 | 6.91 | 6.79 |
| Spain | | 8.000 | 05/04 | 84.6500 | -1.050 | 10.58 | 10.25 | 10.31 |
| UK Gilts | | 6.000 | 08/99 | 90-08 | -30/32 | 8.42 | 8.18 | 7.78 |
| | | 6.750 | 11/04 | 87-01 | -51/32 | 8.67 | 8.42 | 8.08 |
| | | 9.000 | 10/08 | 102-07 | -61/32 | 8.72 | 8.48 | 8.19 |
| US Treasury * | | 7.250 | 05/04 | 99-08 | -6/32 | 7.36 | 7.09 | 7.27 |
| | | 6.250 | 08/23 | 83-27 | -15/32 | 7.64 | 7.39 | 7.57 |
| ECU (French Govt) | | 6.000 | 04/04 | 86.2300 | -0.690 | 8.10 | 7.79 | 7.86 |

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

### US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

| | | | | | | |
|---|---|---|---|---|---|---|
| | | One month | 4.40 | Two year | 6.24 |
| Prime rate | 7¼ | Two month | 4.71 | Three year | 6.60 |
| Broker loan rate | 5½ | Three month | 4.51 | Five year | 6.97 |
| Fed.funds | 4¼ | Six month | 5.11 | 10-year | 7.33 |
| Fed.funds at intervention | - | One year | 5.58 | 30-year | 7.61 |

### BOND FUTURES AND OPTIONS

#### France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 115.92 | 115.06 | -0.66 | 116.08 | 114.82 | 174,730 | 103,875 |
| Dec | 115.06 | 114.20 | -0.66 | 115.16 | 114.08 | 2,454 | 18,929 |
| Mar | 114.36 | 113.50 | -0.66 | 114.36 | 113.40 | 461 | 3,753 |

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | CALLS Sep | CALLS Dec | CALLS Mar | PUTS Sep | PUTS Dec | PUTS Mar |
|---|---|---|---|---|---|---|
| 115 | 0.78 | 1.62 | - | 0.70 | 2.38 | - |
| 116 | 0.36 | 1.22 | - | 1.32 | - | - |
| 117 | 0.14 | 0.80 | - | 2.10 | 3.66 | - |
| 118 | 0.05 | 0.50 | - | - | - | - |
| 119 | 0.03 | 0.30 | - | - | - | - |

Est. vol total, Calls 30,377 Puts 38,774 . Previous day's open int., Calls 359,161 Puts 338,085.

#### Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 92.92 | 91.66 | -1.14 | 93.00 | 91.20 | 162748 | 141223 |
| Dec | 92.10 | 90.83 | -1.16 | 92.10 | 90.77 | 4432 | 26206 |

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | CALLS Sep | CALLS Oct | CALLS Nov | CALLS Dec | PUTS Sep | PUTS Oct | PUTS Nov | PUTS Dec |
|---|---|---|---|---|---|---|---|---|
| 9150 | 0.67 | 0.69 | 1.02 | 1.19 | 0.51 | 1.36 | 1.69 | 1.86 |
| 9200 | 0.41 | 0.50 | 0.84 | 0.97 | 0.75 | 1.67 | 2.01 | 2.14 |
| 9250 | 0.25 | 0.35 | 0.67 | 0.78 | 1.09 | 2.02 | 2.34 | 2.45 |

Est. vol total, Calls 15423 Puts 17773. Previous day's open int., Calls 269802 Puts 279357

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | - | 97.01 | -0.84 | - | - | 0 | 76 |

#### Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 101.45 | 99.60 | -1.80 | 101.79 | 98.11 | 58703 | 86058 |
| Dec | 99.70 | 98.31 | -1.86 | 99.80 | 96.97 | 580 | 1171 |

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | CALLS Sep | CALLS Dec | PUTS Sep | PUTS Dec |
|---|---|---|---|---|
| 9950 | 1.05 | 2.19 | 0.95 | 3.38 |
| 10000 | 0.79 | 1.98 | 1.19 | 3.68 |
| 10050 | 0.58 | 1.80 | 1.48 | 3.93 |

Est. vol. total, Calls 2103 Puts 3573. Previous day's open int., Calls 37739 Puts 35188

#### Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 91.30 | 89.10 | -1.93 | 91.54 | 89.08 | 83,700 | 96,458 |
| Dec | 90.65 | 91.50 | -1.00 | 90.65 | 90.50 | 622 | 1,386 |

#### UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 102-10 | 100-17 | -1-22 | 102-17 | 100-06 | 93437 | 116026 |
| Dec | 102-00 | 100-02 | -1-22 | 102-00 | 101-20 | 420 | 2999 |

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | CALLS Sep | CALLS Dec | PUTS Sep | PUTS Dec |
|---|---|---|---|---|
| 100 | 1-18 | 2-40 | 0-48 | 2-36 |
| 101 | 0-48 | 2-10 | 1-14 | 3-06 |
| 102 | 0-25 | 1-46 | 1-55 | 3-42 |

Est. vol. total, Calls 7685 Puts 5678. Previous day's open int., Calls 72297 Puts 60833

#### Ecu

■ ECU BOND FUTURES (MATIF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 83.70 | 83.06 | -0.60 | 83.95 | 82.90 | 628 | 7,030 |
| Dec | | 82.66 | -0.60 | | | - | 231 |

#### US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 102-30 | 102-15 | -0-13 | 103-06 | 102-09 | 242,603 | 390,888 |
| Dec | 102-05 | 101-22 | -0-14 | 102-15 | 101-17 | 5,982 | 65,239 |
| Mar | 101-00 | 100-30 | -0-17 | 101-00 | 100-28 | 997 | 4,159 |

#### Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 107.82 | - | - | 107.97 | 107.78 | 764 | 0 |
| Dec | 106.76 | - | - | 106.93 | 106.75 | 2501 | 0 |

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

### FT-ACTUARIES FIXED INTEREST INDICES

| Price Indices UK Gilts | Thu Aug 11 | Day's change % | Wed Aug 10 | Accrued interest | xd adj. ytd | | Low coupon yield Aug 11 | Aug 10 | Yr. ago | Medium coupon yield Aug 11 | Aug 10 | Yr. ago | High coupon yield Aug 11 | Aug 10 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 Up to 5 years (23) | 120.60 | -0.25 | 120.90 | 1.81 | 6.91 | 5 yrs | 8.42 | 8.29 | 6.38 | 8.57 | 8.44 | 6.49 | 8.69 | 8.55 | 6.70 |
| 2 5-15 years (22) | 139.04 | -0.80 | 140.16 | 1.73 | 8.39 | 15 yrs | 8.52 | 8.41 | 7.22 | 8.66 | 8.53 | 7.36 | 8.92 | 8.77 | 7.59 |
| 3 Over 15 years (9) | 154.94 | -1.16 | 156.77 | 1.70 | 8.24 | 20 yrs | 8.47 | 8.40 | 7.34 | 8.66 | 8.53 | 7.44 | 8.78 | 8.64 | 7.61 |
| 4 Irredeemables (6) | 177.50 | -0.27 | 177.99 | 2.89 | 7.36 | Irred.† | 8.56 | 8.53 | 7.48 | | | | | | |
| 5 All stocks (60) | 136.74 | -0.68 | 137.67 | 1.79 | 7.90 | | | | | | | | | | |

| Index-linked | Thu Aug 11 | Day's change % | Wed Aug 10 | Accrued interest | xd adj. ytd | | Inflation 5% Aug 11 | Aug 10 | Yr. ago | Inflation 10% Aug 11 | Aug 10 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 Up to 5 years (2) | 185.18 | -0.15 | 185.45 | 0.38 | 3.95 | Up to 5 yrs | 3.98 | 3.91 | 2.79 | 2.97 | 2.89 | 2.06 |
| 7 Over 5 years (11) | 171.89 | -0.36 | 172.51 | 0.76 | 3.25 | Over 5 yrs | 3.90 | 3.87 | 3.33 | 3.72 | 3.69 | 3.16 |
| 8 All stocks (13) | 172.40 | -0.34 | 172.98 | 0.72 | 3.30 | | | | | | | |

| Debentures and Loans | Thu Aug 11 | Day's change % | Wed Aug 10 | Accrued interest | xd adj. ytd | 5 year yield Aug 11 | Aug 10 | Yr. ago | 15 year yield Aug 11 | Aug 10 | Yr. ago | 25 year yield Aug 11 | Aug 10 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 9 Debs & Loans (75) | 128.02 | -1.56 | 130.05 | 3.21 | 5.90 | 9.73 | 9.52 | 7.86 | 9.67 | 9.47 | 8.18 | 9.61 | 9.42 | 8.34 |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT FIXED INTEREST INDICES

| | Aug 11 | Aug 10 | Aug 9 | Aug 8 | Aug 5 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 91.57 | 92.17 | 92.26 | 92.58 | 92.21 | 101.71 | 107.04 | 90.99 |
| Fixed Interest | 110.64 | 110.79 | 111.12 | 111.14 | 111.01 | 122.56 | 133.87 | 107.33 |

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

### GILT EDGED ACTIVITY INDICES

| | Aug 10 | Aug 9 | Aug 8 | Aug 5 | Aug 4 |
|---|---|---|---|---|---|
| Gilt Edged bargains | 79.9 | 130.4 | 91.9 | 68.9 | 79.7 |
| 5-day average | 90.3 | 90.0 | 79.7 | 76.1 | 79.8 |

## FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on August 11

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Chg. | Yield |
|---|---|---|---|---|---|
| Abbey Natl Treasury 6½ 03 | 1000 | 91⅛ | 91½ | -⅛ | 7.94 |
| Alberta Province 7⅝ 98 | 1000 | 101⅛ | 101½ | | 7.29 |
| Austria 8½ 00 | 400 | 104⅞ | 105⅛ | | 7.37 |
| Bank of Tokyo 8⅜ 96 | 100 | 102¼ | 102⅞ | | 6.84 |
| Belgium 5½ 03 | 1000 | 84¾ | 85⅛ | | 7.88 |
| BFCE 7¾ 97 | 150 | 101¾ | 102⅛ | -⅛ | 6.95 |
| British Gas 0 21 | 1500 | 10⅞ | 11⅛ | | 8.54 |
| Canada 9 96 | 1000 | 103⅝ | 104 | | 6.41 |
| Cheung Kong Fin 5½ 98 | 500 | 90 | 90½ | | 8.48 |
| China 6½ 04 | 1000 | 88 | 88⅜ | | 8.53 |
| Council Europe 8 96 | 100 | 102⅜ | 102⅞ | | 6.68 |
| Credit Foncier 9½ 99 | 300 | 108⅛ | 108½ | | 7.31 |
| Denmark 5¾ 98 | 1000 | 95⅜ | 95⅝ | | 6.92 |
| East Japan Railway 6⅝ 04 | 600 | 91⅛ | 91⅜ | | 7.97 |
| ECSC 8¼ 96 | 193 | 102⅞ | 103⅛ | | 6.83 |
| EEC 8¼ 96 | 100 | 102¾ | 103⅛ | | 6.61 |
| EIB 7¾ 96 | 250 | 102⅛ | 102½ | | 6.52 |
| EIB 9¼ 97 | 1000 | 106⅞ | 106⅝ | -⅛ | 6.98 |
| Elec de France 9 98 | 200 | 105¼ | 105⅝ | -⅛ | 7.26 |
| Eurofima 9¼ 96 | 100 | 104 | 104½ | | 6.47 |
| Ex-Im Bank Japan 8 02 | 500 | 101⅞ | 102 | +⅛ | 7.68 |
| Export Dev Corp 9½ 98 | 150 | 107⅜ | 107⅝ | -⅛ | 7.27 |
| Federal Natl Mort 7.40 04 | 1500 | 95⅝ | 95⅞ | | 7.74 |
| Finland 6¾ 97 | 3000 | 99¼ | 99½ | | 7.13 |
| Finnish Export 9½ 95 | 200 | 103⅜ | 103⅝ | | 6.34 |
| Ford Motor Credit 6¼ 98 | 1500 | 96⅞ | 97¼ | | 7.40 |
| Gen Elec Capital 9⅜ 96 | 300 | 104½ | 105 | | 6.65 |
| GMAC 9⅛ 96 | 200 | 103⅛ | 103⅝ | | 6.93 |
| Ind Bk Japan Fin 7⅞ 97 | 200 | 101⅛ | 101⅞ | -¼ | 7.37 |
| Inter Amer Dev 7⅝ 96 | 200 | 101¾ | 102⅛ | -⅛ | 6.89 |
| Italy 6⅞ 23 | 3500 | 81⅝ | 81⅞ | | 8.79 |
| Japan Dev Bk 8⅜ 01 | 500 | 103⅞ | 104¼ | | 7.58 |
| Kansai Elec Pwr 10 96 | 350 | 105 | 105⅜ | | 6.63 |
| Korea Elec Power 6⅜ 03 | 1350 | 86 | 86½ | +⅛ | 8.77 |
| LTCB Fin 8 97 | 200 | 101⅞ | 102⅛ | -⅛ | 7.33 |
| Matsushita Elec 7¼ 02 | 1000 | 96⅞ | 97¼ | | 7.93 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| | Issued | Bid | Offer | Chg. | Yield |
|---|---|---|---|---|---|
| United Kingdom 7¼ 97 | 5500 | 102⅛ | 102⅜ | | 6.32 |
| Volkswagen Intl Fin 7 03 | 1000 | 97⅜ | 97⅝ | -¼ | 7.41 |
| World Bank 0 15 | 2000 | 22⅛ | 22½ | -⅝ | 7.32 |
| World Bank 5⅞ 03 | 3000 | 91⅜ | 91½ | -¼ | 7.18 |
| World Bank 8¾ 00 | 1250 | 110¾ | 111⅛ | -⅝ | 6.42 |
| SWISS FRANC STRAIGHTS | | | | | |
| Asian Dev Bank 6 10 | 100 | 102 | 103 | | 5.80 |
| Austria 4½ 00 | 1000 | 97½ | 97⅝ | +⅛ | 5.03 |
| Council Europe 4¾ 98 | 250 | 99¾ | 100¼ | -⅜ | 4.82 |
| Denmark 4¼ 99 | 1000 | 96¾ | 96¾ | | 4.96 |
| EIB 6¾ 04 | 300 | 107½ | 107¾ | +½ | 5.75 |
| Elec de France 7¼ 06 | 100 | 109½ | 110½ | -½ | 6.07 |
| Finland 7¼ 99 | 300 | 107½ | 108½ | -½ | 5.53 |
| Hyundai Motor Fin 8½ 97 | 100 | 106½ | 107 | | 6.12 |
| Iceland 7⅞ 00 | 100 | 107½ | 108½ | | 6.09 |
| Kobe 6⅜ 01 | 240 | 104½ | 105½ | -½ | 5.56 |
| Ontario 6¼ 03 | 400 | 102 | 102½ | | 5.94 |
| Quebec Hydro 5 08 | 100 | 88 | 90½ | -1 | 6.34 |
| SNCF 7 04 | 450 | 110 | 110¼ | | 5.67 |
| World Bank 5 03 | 150 | 98½ | 98¾ | -¼ | 5.21 |
| World Bank 7 01 | 600 | 108½ | 109 | +½ | 5.42 |
| YEN STRAIGHTS | | | | | |
| Belgium 5 99 | 75000 | 102⅛ | 102⅜ | | 4.54 |
| EIB 6⅝ 00 | 100000 | 109⅝ | 109⅞ | | 4.63 |
| Finland 6¾ 96 | 50000 | 105⅝ | 105⅞ | +⅛ | 3.12 |
| Inter Amer Dev 7¼ 00 | 30000 | 112⅞ | 113¼ | | 4.65 |
| Italy 3½ 01 | 300000 | 91¼ | 91⅜ | | 5.09 |
| Japan Dev Bk 5 99 | 100000 | 102⅝ | 102¾ | | 4.42 |
| Japan Dev Bk 6½ 01 | 120000 | 110 | 110⅛ | +⅛ | 4.80 |
| Nippon Tel Tel 5⅞ 96 | 50000 | 105¼ | 105½ | | 3.27 |
| Norway 5⅜ 97 | 150000 | 104 | 104¼ | | 3.67 |
| SNCF 6¾ 00 | 30000 | 110 | 110¼ | -⅛ | 4.66 |
| Spain 5¾ 02 | 125000 | 105¼ | 105½ | | 4.90 |
| Sweden 4⅝ 98 | 150000 | 101½ | 101⅝ | | 4.15 |
| World Bank 5¼ 02 | 250000 | 103 | 103⅛ | +⅛ | 4.83 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| | Issued | Bid | Offer | Chg. | Yield |
|---|---|---|---|---|---|
| Abbey Natl Treasury 8 03 £ | 1000 | 91⅞ | 92¼ | -⅜ | 9.40 |
| Alliance Leics 11⅝ 97 £ | 100 | 107⅛ | 107⅝ | -¼ | 8.32 |
| British Land 8⅞ 23 £ | 150 | 87⅝ | 88⅛ | -1⅝ | 10.47 |
| Denmark 6¾ 98 £ | 800 | 93⅞ | 94¼ | -½ | 8.81 |
| EIB 10 97 £ | 637 | 104⅛ | 104½ | -½ | 8.05 |
| Halifax 10⅜ 97 £ | 100 | 105 | 105½ | -⅛ | 8.09 |
| Hanson 10⅜ 97 £ | 500 | 104⅜ | 104¾ | -⅜ | 8.72 |
| HSBC Holdings 11.69 02 £ | 153 | 109⅜ | 109⅝ | -1¼ | 9.93 |
| Italy 10½ 14 £ | 400 | 107⅛ | 107⅝ | -1¼ | 9.87 |
| Japan Dev Bk 7 00 £ | 200 | 91⅞ | 92¼ | -⅝ | 8.75 |
| Land Secs 9½ 07 £ | 200 | 99¼ | 99⅝ | -1⅛ | 9.73 |
| Ontario 11⅛ 01 £ | 100 | 108 | 108½ | -¼ | 9.40 |
| Powergen 8⅞ 03 £ | 250 | 96½ | 96⅞ | -⅜ | 9.47 |
| Severn Trent 11½ 99 £ | 150 | 109 | 109⅜ | -⅝ | 9.14 |
| Tokyo Elec Power 11 01 £ | 150 | 108⅜ | 108¾ | -⅜ | 9.27 |
| Abbey National 0 96 NZ$ | 100 | 83⅞ | 84⅜ | | 8.84 |
| TCNZ Fin 9¼ 02 NZ$ | 75 | 100⅞ | 101⅛ | -⅛ | 9.22 |
| Credit Local 6 01 FFr | 7000 | 91⅜ | 91¾ | -½ | 7.58 |
| Elec de France 8¾ 22 FFr | 3000 | 103¾ | 104¼ | -½ | 8.39 |
| SNCF 9¼ 97 FFr | 4000 | 105⅛ | 105½ | -¼ | 7.05 |

| FLOATING RATE NOTES | Issued | Bid | Offer | C.cpn |
|---|---|---|---|---|
| Abbey Natl Treasury -1/16 99 | 1000 | 99.26 | 99.35 | 4.5000 |
| Banco Roma 0 99 | 200 | 99.83 | 99.99 | 4.7812 |
| Belgium ⅛ 97 DM | 500 | 100.13 | 100.24 | 5.6750 |
| BFCE -0.02 98 | 350 | 99.71 | 99.82 | 4.7300 |
| Britannia 0.10 96 £ | 150 | 99.90 | 100.00 | 5.4125 |
| Canada -⅛ 99 | 2000 | 99.18 | 99.23 | 4.6250 |
| CCCE 0 06 Ecu | 200 | 99.93 | 99.09 | 6.0156 |
| Credit Lyonnais 1/16 00 | 300 | 97.83 | 98.27 | 5.3125 |
| Denmark -⅛ 96 | 1000 | 99.51 | 99.59 | 3.7500 |
| Dresdner Finance 1/16 98 DM | 1000 | 99.97 | 100.05 | 5.0938 |
| Ferro del Stat 0.10 97 | 420 | 99.91 | 100.13 | 4.6000 |
| Finland 0 97 | 1000 | 99.94 | 100.04 | 5.3750 |
| Ireland 0 98 | 300 | 99.63 | 99.75 | 4.8800 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

OTHER STRAIGHTS, DEUTSCHE MARK STRAIGHTS, CONVERTIBLE BONDS: [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



## UK GILTS PRICES

| Shorts" (Lives up to Five Years) | Yield Int | Yield Red | Price £ | + or - | 1994 High | 1994 Low |
|---|---|---|---|---|---|---|
| Treas 8pc 1994‡‡ | 8.91 | 5.52 | 100 11/32 | --- | 103 11/32 | 100⅝ |
| 12pc 1995 | 11.67 | 5.72 | 102 13/32 | -1/16 | 107 3/32 | 102 13/32 |
| Exch 3pc Gas 90-95 | 3.05 | 5.33 | 98 3/32 | --- | [illegible] | 97¼ |
| 10¼pc 1995 | 9.89 | 6.34 | 103⅝ | --- | 107 13/32 | 103⅝ |
| Treas 12¾pc 1995‡‡ | 11.89 | 6.70 | 107 7/32 | -1/16 | 113⅝ | 107 7/32 |
| 14pc 1996 | 12.77 | 6.95 | 109 21/32 | -1/16 | 117 3/16 | 109 21/32 |
| 15¼pc 1996‡‡ | 13.50 | 7.20 | 113 | -1/16 | [illegible] | 113 |
| Exch 13¼pc 1996‡‡ | 12.06 | 7.21 | [illegible] | --- | [illegible] | [illegible] |
| Conversion 10pc 1996 | 9.52 | 7.60 | [illegible] | [illegible] | [illegible] | [illegible] |
| Treas Cnv 7pc 1997‡‡ | 7.12 | 7.78 | [illegible]xd | -⅛ | 100⅝ | [illegible] |
| Treas 13¼pc 1997‡‡ | 11.85 | 7.76 | [illegible] | [illegible] | [illegible] | [illegible] |
| Exch 10½pc 1997 | 9.90 | 7.88 | [illegible]xd | [illegible] | [illegible] | [illegible] |
| Treas 8¾pc 1997‡‡ | 8.58 | 8.06 | [illegible]xd | [illegible] | [illegible] | [illegible] |
| Exch 15pc 1997 | 12.60 | 8.19 | [illegible] | [illegible] | [illegible] | [illegible] |
| 9¾pc 1998 | 9.33 | 8.33 | [illegible] | [illegible] | [illegible] | [illegible] |
| Treas 7¼pc 1998‡‡ | 7.47 | 8.32 | [illegible] | [illegible] | [illegible] | [illegible] |
| Treas 6¾pc 1995-98‡‡ | 7.08 | 8.33 | [illegible] | [illegible] | 102 | [illegible] |
| 14pc '98-1 | 11.92 | 8.57 | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| | Yield Int | Yield Red | Price £ | + or - | 1994 High | 1994 Low |
|---|---|---|---|---|---|---|
| Treas 11¾pc 2001-4 | 10.25 | 9.09 | [illegible] | [illegible] | [illegible] | 110⅞ |
| Funding 3½pc '99-4 | 4.78 | 7.51 | [illegible] | [illegible] | [illegible] | [illegible] |
| Conversion 9½pc 2004 | 9.05 | 8.85 | 105 | [illegible] | [illegible] | 103 |
| Treas 6¾pc 2004‡‡ | 7.70 | 8.66 | 87⅝ | -1 | 108⅛ | [illegible] |
| Conv 9½pc 2005 | 9.00 | 8.81 | [illegible] | [illegible] | 125½ | 103⅛ |
| Treas 12½pc 2003-5 | 10.31 | 9.16 | [illegible] | [illegible] | [illegible] | [illegible] |
| 7¾pc 2006‡‡ | 8.31 | 8.75 | [illegible]xd | [illegible] | [illegible] | 91½ |
| 8pc 2002-6‡‡ | 8.42 | 8.84 | [illegible] | [illegible] | 111⅝ | [illegible] |
| Treas 11¾pc 2003-7 | 10.17 | 9.17 | 115½ | -⅞ | [illegible] | 113⅝ |
| Treas 8½pc 2007 ‡‡ | 8.60 | 8.75 | [illegible] | -1 | [illegible] | [illegible] |
| 13½pc '04-8 | 10.55 | 9.15 | 128 | [illegible] | [illegible] | 125¾ |
| Treas 9pc 2008 ‡‡ | 8.74 | 8.71 | 103 | [illegible] | [illegible] | 101 |

Over Fifteen Years, Other Fixed Interest: [illegible]

| Index-Linked (b) | | Yield (1) | Yield (2) | Price £ | + or - | 1994 High | 1994 Low |
|---|---|---|---|---|---|---|---|
| 2pc '96 | (67.9) | 2.82 | 4.10 | [illegible]xd | -¼ | 203⅝ | [illegible] |
| 4⅝pc '98‡‡ | (135.6) | 2.99 | 3.74 | [illegible] | -¼ | [illegible] | [illegible] |
| 2½pc '01 | (78.3) | 3.48 | 3.88 | 164⅝ | -¼ | 176⅝ | 163½ |
| 2½pc '03 | (78.8) | 3.59 | 3.90 | 160½ | -¼ | 173⅝ | [illegible] |
| 4⅜pc '04‡‡ | (135.6) | 3.59 | 3.89 | 108⅛ | -⅜ | 118⅝ | 107⅛ |
| 2pc '06 | (69.5) | 3.62 | 3.85 | 167⅛ | -½ | [illegible] | [illegible] |
| 2½pc '09 | (78.8) | 3.68 | 3.88 | [illegible] | -⅝ | [illegible] | 149⅛ |
| 2½pc '11 | (74.6) | 3.71 | 3.89 | [illegible]xd | -⅜ | 175⅝ | 154½ |
| 2½pc '13 | (89.2) | 3.73 | 3.90 | [illegible]xd | -⅝ | 146⅛ | 126⅝ |
| 2½pc '16 | (81.6) | 3.75 | 3.91 | 137 | -⅞ | [illegible] | 134⅞ |
| 2½pc '20 | (83.0) | 3.78 | 3.91 | 131⅛ | -⅞ | [illegible] | 128½ |
| 2½pc '24‡‡ | (97.7) | 3.78 | 3.89 | 109⅛ | -⅝ | [illegible] | 106⅜ |
| 4⅛pc '30‡‡ | (135.1) | 3.80 | 3.93 | 108¼ | -⅝ | [illegible] | 105⅞ |

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1993: 141.6 and for June 1994: 144.7.

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

# RANDGOLD

## Randgold & Exploration Company Limited

(Incorporated in the Republic of South Africa) ("Randgold" or "the company") (Registration Number 92/05642/06)

**In the view of the Randgold Board and its advisers, the proposed transaction is unfair and prejudicial to Randgold and clearly not in the best interests of Randgold shareholders. The Board dissociates itself from the proposed acquisition, will not be party to it under any circumstances and recommends that shareholders vote against the proposed resolutions**

Dear Randgold shareholder

**YOUR BOARD'S RESPONSE TO CERTAIN RANDGOLD SHAREHOLDERS' PROPOSALS FOR:**

1. **THE APPOINTMENT OF 11 ADDITIONAL DIRECTORS TO THE RANDGOLD BOARD**
2. **THE ACQUISITION OF FIRST WESGOLD MINING (PROPRIETARY) LIMITED ("FIRST WESGOLD") BY RANDGOLD**

As you are aware, Standard Bank Nominees (Transvaal) (Proprietary) Limited having been instructed by S.G. Warburg and Company Limited on behalf of beneficial shareholders, Edwin W. Balderson Nominees (Proprietary) Limited and Bank Lips AG, have called a general meeting of shareholders to be held on Thursday, 18 August 1994, to consider the abovementioned proposals. Your Board and its advisers have a duty to comment on the fairness of the proposed acquisition of First Wesgold in order to ensure that all shareholders have adequate information on which to base their decision on how to vote on the proposed resolutions.

**1. FIRST WESGOLD**

**First Wesgold was valued by Standard Merchant Bank Limited ("Standard Merchant") at R68,949 million, however, no independent technical opinions were obtained in support of such valuation.** In order to make as informed an evaluation of First Wesgold as is possible within the very short timetable set by Fraser F Alexander & Co (Proprietary) Limited, Rand Merchant Bank Limited, Time Mining & Industrial Services (Proprietary) Limited and Aurora Exploration & Development (Proprietary) Limited ("the consortium"), we have used our own technical team consisting of Randgold staff as well as independent technical specialists. To this extent we have used:

- Fluor Daniel Wright, international technical specialists – to review the gold mining technical audit;
- Mintek – to comment on the ferrochrome slag project;
- RMP Properties, specialists in gold dump retreatment, rehabilitation and the sale of mining land – to review the land values; and
- Randcoal's environmental division, representatives of which are members of the Standing Committee for Environmental Management in the Mining Industry and members of various national environmental committees – to review First Wesgold's rehabilitation program.

In the 10 days available to us, the following are our findings on the status quo of First Wesgold.

**1.1 Background on First Wesgold**

Today First Wesgold, the old West Rand Consolidated gold and uranium mine established in 1887, consists of five remaining areas of business. These are:

(i) gold recovery operations, including certain underground mining and surface recovery from dumps, slimes dams, gold plant clean-up, surface clean-up, and open pit ore reserves;

(ii) the potential re-treatment of the Palmiet Ferrochrome Slag dump on the property;

(iii) the sale of used plant and equipment and sand from non-viable gold dumps;

(iv) the sale of land and buildings; and

(v) against these potential sources of revenue, First Wesgold is obliged in law to adequately rehabilitate the entire mining lease area.

**1.2 Our findings regarding First Wesgold's operations**

(i) **There is no detailed mining plan** for the mine as a whole. The current operation mines **remnant** resources on an opportunistic basis.

(ii) **The present state of the mine's plant is poor,** requiring constant high levels of maintenance capital expenditure.

(iii) The entire mine and the underground operations of First Wesgold were **loss making** in the month of July.

(iv) We disagree with the majority of statements regarding available tonnage and grade set out in clause 3.1.3.1 – Gold projects – of the consortium's circular sent to Randgold shareholders which statements we believe to be over optimistic. **Our conclusions are based on information provided by First Wesgold's technical advisers.**

(v) Management of First Wesgold has **limited deep-level underground mining experience.**

(vi) The main underground contractor went into liquidation in June this year. Currently underground mining is being done by a joint venture of two of First Wesgold's shareholders namely Fraser Alexander and Time Mining. This contract is on a **cost plus basis** and hence, for the first time, **First Wesgold has now effectively assumed responsibility and risk for its underground operations.**

(vii) The surface dump retreatment and slimes dams recovery operations **are not viable at current gold prices.** If they do become viable with an increase in the gold price, **additional capital expenditure** of at least R10 million would be required to achieve the desired levels of milling and processing capacity.

(viii) There are **no formal agreements** with Luipaardsvlei to treat their dumps nor with West Rand Consolidated Mines Limited for the terms of the re-acquisition of the underground mining rights from August 1996. **The rehabilitation obligations in all instances remain with First Wesgold.**

(ix) There is **no feasibility study on the ferrochrome slag project** which the consortium claims has considerable value.

Companies all over the world have been trying to work out ways of recovering ferrochrome from slag dumps. Today, whilst there are a couple of plants being commissioned by ferrochrome smelters, there is no certainty as to the outcome of these projects. First Wesgold are currently planning to develop their own technology which is different to that used by the aforementioned plants, using approximately R11,3 million of capital expenditure in current money terms. **We found no evidence that this project would be successful. According to the consortium's circular, this project should net R30 million profit!**

(x) Land values are questionable due to location and **current radio-active levels** experienced on the mining lease area. These land values are further affected by the fact that First Wesgold do not own the underground mineral rights.

**1.3 Environmental and rehabilitation issues**

**1.3.1 Radio-active material threat**

West Rand Consolidated Mines Limited **was the richest uranium producer in South Africa.** The plant used to process this radio-active material **has not been rehabilitated.** An environmental study conducted by the mine has confirmed **contamination** in the ground water. In addition, there is concern that **fugitive dust** emanating from portions of the property **could exceed regulatory requirements.**

**1.3.2. Chrome pollution**

There is the potential of carcinogenic hexavalent chrome leaching into the property and into the neighbouring water drainage system.

**1.3.3. Rehabilitation costs**

Estimates from Randcoal are that should Randgold acquire First Wesgold it would be assuming **rehabilitation liabilities of potentially between R40 million and R60 million.**

**2. CURRENT STATUS OF THE RANDGOLD GROUP**

We believe it is appropriate to reinforce to shareholders your Board's current vision for the Randgold group.

**2.1 Randgold's mission**

Our long-term objective is to utilise the assets that we inherited after the Rand Mines restructuring, less than two years ago in the form of the four listed marginal gold mines, unlisted investments and exploration rights and to create a profitable viable mining holding and exploration company. Managing the four listed marginal gold mines is an enormous challenge, which we believe we have effectively met.

We will continue to manage these mines as effectively as we can, whilst building up the exploration side of the business. Our exploration successes are providing the promise of future growth for the company.

Amongst our successes, all of which have contributed significantly to the company, have been:

- the turning around of Harmony after the major rationalisation in 1992. Harmony is the most efficient underground mine in the industry but suffers from the lowest underground yield;
- the successful restructuring of the ERPM debt of some R550 million;
- the release from an obligation to provide a loan of R35 million to ERPM;
- the tribute with Western Deep levels, at Blyvoor thereby extending its life;
- the constructive relationship developed with all representatives of employees involving, inter alia, salary sacrifices in order to keep the marginal mines operating. **The Randgold group currently employs 32 000 people;**
- the conclusion of joint venture agreements on exploration where major international exploration partners (such as Newmont Mining) will commit large funds to exploration in South Africa, Namibia and West Africa; and
- profits and asset realisations have increased cash resources by R42 million.

**2.2 Myths about Randgold**

**2.2.1 Randgold overhead and fees**

There is consistent press speculation about the considerable "Randgold overhead" and the sizeable profits Randgold makes on the fees it charges the four listed gold mines. The facts are:

(i) Randgold has 113 employees engaged in managing Randgold, the exploration and new business division and providing services to the mines. It has the lowest head office staff to mine employee ratio in the Chamber of Mines. Randgold's ratio is some 50% better than the next best Chamber member. Employee numbers have fallen from ± 180 as the company proceeds with making the managed mines more self reliant.

(ii) Mining fee income is expected to generate a profit of R1,1 million for Randgold for the financial year ending 30 September 1994. With Durban Deep becoming a curtailed operation, this will reduce in 1995. In terms of Randgold's overall earnings, this income source is relatively insignificant. It is more a question of how most efficiently the cost structure of the group could be rearranged. The Board believes the services are cost effective at about $5 per oz of gold produced.

(iii) **In First Wesgold by comparison the consortium are all closely linked in one way or another with providing services to First Wesgold on a profitable basis. There is no indication that they will not continue to benefit from this type of activity into the future.**

**2.2.2 Unbundling**

Your Board has often debated the merits of unbundling its interests in the mines within the group and has followed a policy of making the mines more independent, but not fully unbundled. In this ongoing debate, there are issues that still need to be addressed, such as:

- the mines are bound by industry level collective bargaining and co-operation in the areas of lobbying, pension and provident funds, research, safety, medical and gold refining;
- the mining holding company structure assists in the recruitment of skilled staff which can be problematic at marginal mine level;
- the level of financial support that unbundled mines would receive from the banking community:
- certain financial and technical services are more economically provided on a centralised basis; and
- in terms of the ERPM underwriting agreement, Randgold cannot restructure its shareholding in ERPM until December 1995. It is impractical to contemplate acts such as unbundling until this restriction has expired.

We believe that the Randgold Group is appropriately structured. The structure will continue to develop in the future in line with the policy of making the mines more independent.

**2.3 Durban Deep**

With substantial closure of the underground operations at the end of July, reef wall removal, vamping, sweeping and limited blasting should produce up to 20 000 tpm from underground for 6 months. Thereafter underground production and the Government pumping assistance will be reviewed.

The surface operation will continue and increase in the future, but will be exhausted within 2 years. Simultaneously, the company will commence with the sale of assets.

The proposed sale of 1 000 hectares of land will fund retrenchment benefits negotiated with employee representatives and some rehabilitation, leaving 1 500 hectares for future realisation.

In the medium term, reclamation of gold from the gold plant and the development and sale of the land is planned.

**2.4 ERPM**

ERPM's performance since that company's financial restructuring has not met expectations.

Productivity and production improvements are expected in the second half of this year.

A drilling program underground is being implemented to substantiate the sedimentology prediction made at the time of the rights offer. The findings of the program will confirm whether the development of the tertiary shaft should proceed as originally planned. This program will be completed in the first quarter of 1995.

**2.5 Harmony**

Harmony's performance has been extremely satisfactory. To ensure that it can maintain its efficiency, significant capital is needed to develop reserves, maintain mining flexibility and counteract the declining underground yield. The need for capital expenditure and the building up of financial reserves are likely to preclude the payment of a dividend over the next few years.

**2.6 Blyvoor**

The tribute with Western Deep Levels will play an increasing role in Blyvoor's future as production from this source increases. This tribute has potentially extended Blyvoor's life to at least the year 2000.

**2.7 Exploration and new business**

(i) **Strategy**

Randgold has positioned itself as a mining company with gold as its commodity focus and Africa as its sphere of operation.

The aim of exploration and new business is to add value for shareholders in finding and developing, with partners, new mining ventures.

The opportunities to cost effectively find new mines are in the mineral rights portfolio we inherited and in the more prospective areas in the rest of Africa.

(ii) **South Africa**

- The rights we have added to the assets we acquired during 1993 in the Pilgrims Rest Goldfield have been the subject of intense work. We are currently concluding a joint venture designed to bring the assets to account with a small underground mine.
- We have concluded joint venture agreements with other mining companies in which these companies will explore for gold, diamonds and base metals on a number of our rights. Other joint ventures are in the pipeline.
- To date we have concluded sales worth more than R10 million in respect of rights which do not fit our criteria, with an equal amount in sales options. We are currently finalising agreements of sale worth more than R20 million.

(iii) **Namibia**

Randgold holds a major share in a number of prospective rights in North West Namibia. An exploration joint venture has been concluded with an international mining company to progress the Tsongoari project.

(iv) **Gabon**

Randgold negotiated an agreement with the government of Gabon which gives the company rights over 36 000 km² for 2 years. A large prospective gold target has been identified.

(v) **Burkina Faso**

The company has been active in Burkina Faso for over a year. Prospecting rights covering 3 500 km² have been secured with numerous gold targets identified. Newmont Mining has joined us in developing the targets which we believe will result in world class surface mining operations.

(vi) **West Africa**

Randgold has identified prospective areas in other West African countries and securing of permits is well advanced.

**Randgold's management is convinced it has developed the success factor in terms of funding, partners and skills to add value for shareholders in its focused exploration and new business activities which will show considerable results in the near future.**

**3. REASONABLENESS OF THE PROPOSED ACQUISITION**

**3.1 Value of Randgold**

(i) The proposed transaction price is at 725 cents per Randgold share. On the date these proposals were announced, Randgold's share price was trading at 900 cents per share.

(ii) Against this share price, Randgold had, at 30 June 1994, cash and near cash of 348 cents per share. Randgold also owns listed securities which, at current share prices, represent 997 cents per Randgold share. Thus, 1 345 cents per share of Randgold's net asset value comprises cash, near cash and listed securities.

In addition to these relatively liquid assets, Randgold has unlisted investments and mineral rights which at cost amount to R39,6 million but as highlighted in 2.7 above, are clearly worth significantly more than this.

(iii) Clause 1.6 of the consortium's circular states that Randgold's share price does not reflect the true value of its underlying assets.

**725 cents per Randgold share is clearly not a fair issue price.**

**3.2 Value of First Wesgold**

(i) The valuation of First Wesgold performed by Standard Merchant upon which the purchase price of R68,949 million is based, was performed without the benefit of any independent technical opinions and "**relied extensively on representations made by the management and directors of First Wesgold**". Standard Merchant further states that it "**does not accept responsibility as to the accuracy of the representations and the potential impact that the accuracy of the representations may have on the value arrived at**".

Neither Randgold management nor any independent shareholder has had access to the valuation.

(ii) The Randgold technical team's view is that the **financial models**, upon which Standard Merchant's valuation was based, **are inaccurate and in certain instances cannot even be substantiated.**

Fluor Daniel Wright is currently reviewing the methodology used in the Randgold technical team's audit. To date their findings are that Randgold's audit procedures conform to internationally accepted practices.

(iii) We seriously question the sustainability of the profits emanating from First Wesgold. A substantial portion of the profits is currently generated from plant clean-up. To calculate the effect of the acquisition of First Wesgold on the earnings per Randgold share is accordingly not meaningful.

**After taking into account all the current bankable projects and environmental and rehabilitation issues, we have not been able to justify any value for First Wesgold.**

**4. CONCLUSION**

The published intention of the consortium is to "unbundle" Randgold. Yet, simultaneously, the consortium is proposing that Randgold acquires an old remnant mine, with major rehabilitation problems, as **a wholly owned subsidiary. How will this mine be unbundled?**

The skills required to manage deep level marginal mines, employing highly unionised work forces is not something that can be acquired overnight. **In the opinion of the Board the skills that can be provided by the consortium are already available within the Randgold group.**

**The transaction as proposed by the consortium is, in the view of the Board and its advisers, unfair and prejudicial to Randgold and clearly not in the best interests of its shareholders. The Board dissociates itself from the proposed acquisition, will not be party to it under any circumstances and recommends that shareholders should vote against the proposed resolutions.**

**We urgently seek your support to enable the Board to prevent these events taking place by opposing the resolutions proposed. Minority shareholders are reminded that if the transaction is implemented there is legal recourse available to them against any act which can be regarded as unfairly prejudicial, unjust or inequitable to them. You are urged to seek independent legal advice in this regard.**

**You are reminded that your proxies are to be submitted by 11:00 on Tuesday, 16 August 1994 to Rand Registrars Limited, Block "C", 100 Northern Parkway, Ormonde, 2091 (PO Box 82549, Southdale, 2135).**

Yours sincerely

A A Sealey

A A Sealey
*Chairman*

Johannesburg
11 August 1994

*Advisers to Randgold*

FirstCorp
*FirstCorp Merchant Bank Limited*
*Registration No. 58/02411/06*
*A member of the First National Bank Group*

*Sponsoring brokers*

DavisBorkumHare
Davis Borkum Hare & Co. Inc
(Registration number 72/08126/21)
(Member of The Johannesburg Stock Exchange)

*Attorneys*

BRINK COHEN LE ROUX & ROODT INC

JONSSONS

### Healthcare group likely to have net cash position by year end

# S&N poised for acquisitions

By Daniel Green

Smith & Nephew, the healthcare group, is "actively looking for acquisitions". Mr John Robinson, chief executive, said yesterday.

A disposal earlier this week left gearing at just 4 per cent, and the company is likely to have a net cash position by the end of 1994, he said.

The target could be in a similar business to Smith & Nephew's areas of expertise such as keyhole surgery equipment, said Mr Robinson. It could, however, be in a new area provided there were synergies such as the possibility of using S&N's existing sales staff.

This week's disposal of Ioptex, the lossmaking eye surgery products company, led to an exceptional £148m charge in the interim results, published yesterday.

Excluding the charge, pretax profit for the six months to July 2 were £82.2m, within analyst's forecasts and a rise of 12 per cent on 1993 when restated to conform with FRS 4 accounting rules.

These call for convertible preference shares then in issue to be reclassified as debt and their dividend as interest.

Turnover was £486m, an underlying sales increase of 7 per cent. Adjusted earnings per share were 5.04p and the interim dividend is 2.02p, both up 7 per cent.

Tony Andrews

John Robinson: target could be in a similar business

With dividend cover now at the company's target of 2, payouts would now rise in line with earnings growth, Mr Robinson said.

Operating profit margins rose from 16.5 to 17.1 per cent, reflecting higher production volumes and efficiency improvements and an increasing proportion of sales coming from higher technology products.

Mr Robinson said that target operating profit margins had almost been reached.

Most of the company's product areas saw sales grow by 8 to 11 per cent, about the same as in 1993. The exception was in commodity products like surgical gloves, where sales fell.

Consumer healthcare, including Elastoplast plasters and Lil-lets tampons, saw the sharpest increase in growth rates, from 2 per cent in 1993 to 10 per cent this time. The Simple brand of cosmetics did well, but the figure was flattered by restocking.

US sales growth slipped from 7 per cent to 6 per cent, although Mr Robinson said that the effect of US healthcare reforms had "flattened".

Continental European sales growth fell from 7 per cent to 4 per cent as France and Spain clamped down on health spending. Mr Robinson said that France had a better close to the half.

● **COMMENT**

Disposals and organic growth have been S&N's routes to bring innovation, high margins and decent growth to the mundane end of the healthcare business. The company should make about £175m for the full year, giving a p/e of 14.5, just under the market average. That combination of lowish risk and steady growth makes S&N an attractive investment compared with the uncertainties of drug companies; but it looks pedestrian compared with cyclical stocks in other sectors. There are few reasons to sell S&N shares but, until management finds some clever acquisitions, even fewer to buy them.

# BOC suffers from Forane factor

By Daniel Green

BOC, the industrial gases and healthcare company, continued to suffer from depressed sales in pharmaceuticals following the expiry of the patent protecting Forane, its main anaesthetic gas in the US.

The US market was split evenly with the sole competitor, Abbott Laboratories of the US, BOC said. It was "reasonable to assume that there will be further competitors" in the next year or two.

Profit margins for industrial gases also edged lower in the third quarter and the shares fell 31p to 714p.

An exceptional £85m charge announced earlier this year depressed the company's results in the nine months to June 30.

Pre-tax profit of £169.3m compared with £261.6m for the same period in 1993 but matched analysts' forecasts.

Earnings per share before the exceptional item were slightly lower at 32.54p (33.24p). BOC said this was largely the result of the increased number of shares in circulation.

The gases business saw profits rise to £243.7m (£231.3m) for the nine months, on sales of £1.85bn (£1.7bn).

Industrial activity and demand improved in most countries, particularly in the US and Australia, said the company, "but pricing pressures have not generally abated".

Healthcare profit fell by 42 per cent to £42.8m (£73.8m) as a result of competition to Forane. A new anaesthetic gas, Suprane, increased its market penetration.

The £85m provision was made for restructuring programmes, of which £60m was for the healthcare business and the remainder for gases. The programme began this year and will extend over three years. When complete, BOC expects it to produce savings of about £60m a year.

Third quarter margins were supported by the early benefits from the restructuring programme, said the company.

# SCI buys 'strategic' stake in Plantsbrook

By Simon Davies

Service Corporation International, North America's largest funeral group, yesterday continued its aggressive foray into the British burial business by buying a 3 per cent stake in Plantsbrook, the sector's largest quoted company.

SCI claimed this was a strategic stake, but said that it was interested in buying further shares.

The announcement came just one day after the Texan company received approval from the Takeover Panel to put forward a recommended 775p for Great Southern Group, the only other UK listed funeral company.

Plantsbrook is 46 per cent owned by Pompes Funebres, France's largest funeral business, and it is understood that SCI's strategy could be to secure a ring-side seat if the parent considers asset sales.

It had informed both Pompes Funebres and Plantsbrook of its share purchases, which have taken place over recent weeks.

Pompes Funebres controls around one third of France's funeral market, in addition to interests in Belgium and Singapore, and SCI has made no secret of its ambitions to use Great Southern as a springboard for expansion into Europe.

SCI was also concerned that Loewen Group, its largest North American competitor, might consider turning its attentions to Plantsbrook, after the failure of its attempts to block SCI's Great Southern bid.

Plantsbrook controls about 9 per cent of the UK funeral market, compared with Great Southern's share of some 4.5 per cent.

# Property side helps TransAtlantic rise 46%

By Alison Smith

TransAtlantic Holdings, the insurance and property group, yesterday announced a 46 per cent increase in pre-tax profits from £30.2m to £44.2m in the first half to June 30.

Most of the rise was attributed to property investment income from the group's shopping centres, which rose to £19.9m (£14.4m), and to its half share in the profit from Sun Life, which increased from £18.5m to £22.5m.

While Sun Life achieved a 19 per cent rise in new regular premium business, to reach £68m, TransAtlantic sounded a note of caution about prospects for 1994 as a whole.

It said that the life and pensions market overall was showing signs of contraction and the year-on-year increase was not likely to be sustained for the full term.

The board is paying an unchanged interim dividend of 6p. Mr David Fischel, managing director, said this was in accordance with the group's normal policy of proposing an interim dividend of half the previous year's total.

The group recorded an exceptional profit of £13.3m from the flotation of Capital Shopping Centres, the regional shopping centre company in which TransAtlantic retains a 75 per cent stake. There was an exceptional £400,000 loss relating to the disposal of investment properties.

Capital & Counties, a wholly owned subsidiary of TransAtlantic which includes CSC, announced pre-tax profits of £29.8m (£12.8m) for the first half. Income from property investment rose to £42.1m (£35.8m).

Alongside the flotation of CSC, Mr Donald Gordon, TransAtlantic's chairman, highlighted the acquisition of the Harlequin shopping centre in Watford for £162m in February. This contributed £4.2m of the property investment income.

Earnings per share rose by 38 per cent to 8.26p (5.98p). The shares rose 3p to 381p.

# Charges push Tiphook loss up sharply to £331m

By Simon Davies

The share price of Tiphook, the debt-laden transport leasing company, rose by 10 per cent as fears of a rights issue diminished, but pre-tax losses for the year to April 30 jumped from £21.8m to £331.1m.

The shares added 4p to 38p, as Tiphook reiterated the commitment of its bankers, which control the destiny of a company with gearing of 1,551 per cent.

Net debt almost halved from £1.02bn to £512.5m during the year, following the sale of its container leasing company. However, shareholders' funds fell from £215.1m to £33.3m.

The container sale continues to throw up some difficulties. Transamerica, the purchaser, is proposing a further cut of £11.4m, in addition to an initial £12m adjustment from the £734m purchase price. This has been fully provided for.

However, Tiphook had originally estimated £31.8m of costs associated with the sale and financial restructuring, while the actual amount charged was £19.5m.

The 1994 figures included exceptional items of £295.7m (£75.3m), and £75.9m (£72.1m) in interest charges.

The sale of the container division resulted in a loss of £124.8m, while there was a further £168m taken under operating activities.

The company has been reduced to two core divisions, Trailer Rental and Rail Wagon Rental, which both saw substantial profit declines during the year. To reflect its new composition a name change is planned to Central Transport Rental Group.

Due to the earlier sale of 9,532 of its older trailers, the division achieved average utilisation of 74.1 per cent in 1994, compared with 56.6 per cent.

However, on lower rental rates operating profits before central costs and exceptional items were £18.3m (£31.8m).

The Rail Wagon operations' operating profits fell from £4.1m to £800,000.

Mr Rupert Hambro, chairman, said: "We are acutely aware of our very high level of borrowing. With our continuing drive for economies and cost reductions we have reasonable expectation of seeing margins improve."

Tiphook was also looking to "take appropriate steps to improve our financial structure." There is no dividend. Losses per share came to 301.1p (41.2p).

● **COMMENT**

The key to Tiphook's survival has probably been the size of its difficulties. With more than £1bn of debt, Tiphook's bankers had a lot to lose. Nevertheless its future remains uncertain. Financial reconstruction is inevitable, meaning substantial dilution for shareholders. In addition, the company has to resolve problems such as a £156m obligation to purchase trailers in 1996, for which no funding is in place. An improving European economy could provide some joy, but at this stage the risks are far more striking than the rewards.

# Sotheby's achieves 22% rise to $23.3m

By Christopher Price

Sotheby's Holdings, the parent company of Sotheby's, the New York-based auction, finance and real estate operation, reported improved second-quarter and first-half results, helped by the continuing recovery in the international art market.

For the six months ended June 30 pre-tax income rose by 22 per cent to $23.3m (£15m) against $19.1m. Auction revenue rose from $114.5m to $122.3m as overall revenues rose by $8.45m to $132.4m. Net income per share increased from 21 to 25 cents. Auction sales for the second quarter increased 5 per cent to $530.8m, while over the six months they rose 9 per cent from $635.2m to $692.1m.

The figures confirm the slow improvement in the international art market highlighted last month when Sotheby's announced sales 15 per cent up at $1.38bn in the 1993-94 season. Rival Christie's reported an 11 per cent increase in turnover to $1.17bn. Two smaller London-based houses also registered improvements last month, Phillips gaining 12.5 per cent to £88m and Bonhams 21 per cent to £33.9m.

Ms Diana Brooks, Sotheby's Holdings president and chief executive, said: "Our auction sales for the six-month period increased 9 per cent and reflect a pattern of broad-based growth in many collecting categories, principally due to strong results for a number of single-owner sales."

# GPA shores up balance sheet with $1bn package

By Tim Coone

GPA, the aircraft leasing company, has successfully launched a $1bn (£600m) aircraft lease portfolio securitisation package which should substantially strengthen its balance sheet and enable it to meet the terms of the financial restructuring worked out with its bank creditors in October 1993.

Alps 94-1 as it is known (the first is called alps 92-1) is being fully underwritten by Lehmann Brothers, and is a $998.2m securitisation, which will acquire 27 aircraft from GPA's fleet of 480. The 27 aircraft have an average lease life of five years, and the seven tranches of investment-grade bonds and securities amounting to $782m within the alps 94-1 package, have been designed to match the leases in terms of maturity and return.

The $782m is split 53 to 47 in fixed and floating interest rates with coupons ranging from Libor plus 48 basis points for the variable rate notes, to Treasuries plus 100 basis points for the fixed rate notes. Some $71.2m of class D (unrated) notes are being bought by General Electric Capital Corporation and $144.5m of class E notes by a subsidiary of GPA, to complete the $1bn package.

Mr Patrick Blaney, chief executive of GPA, said the alps launch "represents a giant step for GPA. It is a continuation of the work we started with the restructuring last October, and will continue the process of GPA's recovery".

The restructuring requires GPA to repay $700m to $900m of principal on $3bn debt up to the end of 1996 plus interest. Mr Blaney said the new package would enable GPA to meet the terms of that restructuring.

The group has no commitments to purchase new aircraft from Boeing or Airbus before 1997, or with McDonnell Douglas before 1995. Deliveries of the latter may be postponed.

# Rights issue helps Select Appointments fund US buy

By Christopher Price

Select Appointments, the international recruitment group, yesterday accompanied news of its sixth acquisition in a year with a financial restructuring.

The $32m (£21m) purchase of New Boston, a US recruitment business, doubles Select's turnover and will help move the lossmaking UK group into profit. New Boston consists of five speciality employment agencies based in New England. Turnover last year was $49.8m, with operating profits of $3.65m. Select reported a reduced loss of £642,000 last year, on improved sales of £35m.

Select is launching a £44m rights issue to fund the acquisition, the balance being used for the refinancing.

It is issuing 352m new ordinary shares at 12¼p, on a 1.64-for-1 basis. A consortium of Swiss investors, which own 90 per cent of existing shares, have opted not to take their full allocation in order to widen the shareholder base. As a result, their 260m new shares will equate to 80 per cent of the new issued capital, and the remaining 90m shares have been placed with institutions.

Select will use £15m of the rights issue to redeem its preference shares, all of which were bought by the Swiss investment consortium in order to fund the group's ambitious expansion strategy.

Mr Zach Miles, Select's finance director, said that the company was searching for further acquisitions. "Our strategic plan is to be geographically spread in different markets. The recruitment business is cyclical and by being in different locations we can develop a stable income stream."

He added that Select had already moved into profit prior to yesterday's acquisition, and that New Boston would boost this year's results further. Select shares firmed a quarter of a penny to 13p.

# F&C warns on progress of markets

By Scheherazade Daneshkhu

Foreign & Colonial Investment Trust warned yesterday that stock markets may have difficulty in making progress, partly because of the rapid expansion of the US economy.

The UK's second largest investment trust reported a fall in net assets from 148p to 134.2p per share during the six months to June 30.

However, net assets per share rose 9.6 per cent compared to June 1993's figure of 122.4p.

The share price fell 10.9 per cent in the first half against a 13 per cent drop in the FT-SE-A All-Share Index. The trust blamed fears of higher inflation and rising interest rates, particularly in the US, for the falls.

Mr John Sclater, chairman, said: "Concern about future inflation and higher interest rates is adversely affecting market sentiment. To a large degree this is based on fears that the US economy is expanding too rapidly."

However, Mr Michael Hart, chairman of F&C Management, said that he did not rule out the possibility of the FT-SE 100 reaching 3,500 by the end of the year.

The trust benefited from a 25 per cent rise in the Japanese index through its 13 per cent holding there, but it was weakened in falling markets elsewhere by its gearing, part of which was in yen.

F&C has traditionally followed a policy of borrowing to gear up in falling markets in order to buy cheap stocks.

Mr Hart said that though the aim was to borrow in a weak currency, where the yen was concerned "we got it wrong." He believed, however, that the yen would weaken.

After-tax revenue declined from £11.9m to £9.31m due to a sharp fall in bond income. The expenses of running the trust's savings scheme, through which private investors can make regular contributions, have been rising fast, according to Mr Hart and the trust will be made more cost-effective. Details are to be announced in the autumn.

Total net assets were £1.41bn, down from £1.56bn at the start of the year.

Earnings per share dropped from an adjusted 1.13p to 0.88p. The interim dividend is 0.6p, against an equivalent 0.575p – the board said its intention was to recommend a final of 1.23p, making a total of 1.83p – a 4 per cent increase.

At the end of June, the trust's asset mix was UK – 43.6 per cent; North America – 21.1 per cent; Europe – 13.5 per cent; Japan – 13.4 per cent; Far East – 5.7 per cent and others – 2.7 per cent.

# Johnson Cleaners' shares fall on gloomy statements

By Peggy Hollinger

Johnson Group Cleaners' shares yesterday slid 9 per cent to 287p as the dry cleaning and textile rental group announced a 5 per cent drop in interim pre-tax profits and warned the full-year return was likely to fall this year.

Mr Terry Greer, chairman, said the first half had proved difficult in both the dry cleaning and the textile rentals businesses. Profits had fallen from £8.7m to £8.2m on sales up 2 per cent to £83.2m for the 26 weeks to June 25.

He expected no material improvement in the second half and said it was "unlikely that the results for the full year will match those of 1993."

The gloomy statements should not have come as a surprise to investors who had been warned of difficult trading conditions both at the year-end and at the annual meeting.

However, analysts pulled back forecasts for the full year from about £18m to £17m after the announcement.

Analysts cited disappointment that Johnson Group had not yet got to grips with the losses in the US franchise business, which they estimated was losing up to $1m (£600,000) a year. Johnson also suffered its first real setback on textile rental, with margins estimated to have fallen by 2.7 points to 19.6 per cent.

Mr Greer said textile rental in the UK had been hit by price pressure and the costs of developing its new business of supplying uniforms to the food sector. The textile rental division returned operating profits 8 per cent lower at £4.6m, on sales 5 per cent higher at £23.5m.

The contribution from dry cleaning fell by 4 per cent to £3.98m on sales marginally higher at £59.7m (£59.3m). Adverse weather in the UK and the absence of any revival in discretionary spending by consumers meant that sales had remained virtually flat, Mr Greer said.

The interim dividend is held for the fifth consecutive year at 2.8p. This contrasted with Johnson's decision last year to increase the final pay-out for the first time in three years.

Earnings fell by 7 per cent to 10.44p.

● **COMMENT**

The drop in Johnson's share price may reflect the fact that the market is finally beginning to realise this company will be a late bloomer in any recovery. Evidence from previous recessions shows Johnson picking up after four years of recovery. So far, the UK has enjoyed two. The setback in UK textile rental is disappointing, but the group still enjoys the highest margins in its peer group. The one big question is how long it takes the company to get to grips with the US losses. This, like dry cleaning, will depend on recovery. The forecasts of about £17m for this year leave the shares on a prospective p/e of about 14 times. This looks about right given the gloomy prospects this year.

# Fyffes buys into Germany

By Tim Coone in Dublin

Fyffes, the Dublin-based fruit and vegetable distributor, has succeeded in establishing its first foothold in the German banana market with the acquisition of a 70 per cent stake in JA Kahl for about I£8m (£7.9m).

Kahl, which Fyffes said was expected to have sales of I£60m in the year to December 1994, is based in Munich, where it has a modern distribution and banana ripening centre. It is one of the main fruit and vegetable distributors in the Bavarian region.

Mr Carl McCann, group finance director, said the acquisition represented an "important step" in the group's expansion into continental Europe and its modern facilities, with a direct link to the German rail network, created "good prospects to grow the business".

The German market is particularly important for Fyffes' European expansion as per capita consumption levels of bananas there are among the highest in Europe.

This is Fyffes' second acquisition in Europe this year, having spent I£15.9m last month in acquiring a 50 per cent stake in Velleman & Tas, a leading banana and fresh fruit distributor in the Netherlands.

Earlier this year, Mr McCann said he expected to spend about half of the group's I£80m cash on acquisitions during 1994, and he confirmed yesterday that that remained his goal. Some I£12m was spent on acquisitions in Spain and Denmark last year.

Mr McCann said the combined annual turnover of the four acquisitions amounted to I£350m, and the total outlay, including deferred payments, amounted to I£40m.

Fyffes has set itself a target of selling 26m boxes of bananas in Europe this year, up from 18m in 1993. In the medium term, the group hopes to source a large part of this increase from a 9,000 acre plantation development in Guatemala which it helped to finance.

## British Bus makes further purchase

By Paul Cheeseright, Midlands Correspondent

British Bus, the acquisitive Salisbury-based transport group, is buying Derby City Transport, owned by its managers and employees, for £7m.

This is the third acquisition by British Bus since June, when it received an equity injection of £30m and arranged new debt facilities of £35m.

The deal is part of a broader plan to consolidate the competitive position of British Bus relative to its two main rivals, Badgerline and Stagecoach.

Derby City Transport is unusual among bus companies because of its ownership of taxis and rental car franchises. Its managers and employees paid £4m for the company in 1989 and had a refinancing with £1.5m of equity capital from NatWest Ventures in 1993.

Mr Martin Bodenham, a partner at KPMG Peat Marwick in Nottingham, which handled the sale for the shareholders, said that during the last three months there had been a flurry of approaches by the large bus groups.

British Bus owned 22 per cent of the company through Luton and District, one of its recent acquisitions, which had been a trade investor in the original buy-out.

## Ferranti business sold

By Alan Cane

Matra Marconi Space, the satellite joint venture between GEC-Marconi and Matra of France, has bought Ferranti International's satellite communications business from the receivers. The price has not been disclosed, but is thought to be relatively low.

The Ferranti unit employs about 100 people. It designs and manufactures ultra high frequency satellite data terminals and microwave radio relay systems.

The deal follows the purchase by Matra Marconi in July this year of the satellite business of British Aerospace. The merged group, Europe's leading satellite manufacturer, turns over about £750m and employs a workforce of more than 2,000 people.

Earlier this year, Arthur Andersen, Ferranti's receivers, agreed in principle to sell the company's principal defence businesses to GEC rather than to a management buy-out team. Ferranti went into receivership last December after GEC withdrew an offer of 1p a share.

### Kynoch purchase

Kynoch Group has bought Lawrian, which maintains hospital and laboratory equipment, for an initial consideration of £145,000.

A further consideration, 20 per cent of Lawrian's pre-tax profit for the next three years, is subject to a maximum of £200,000.

### Terms agreed for Leeds shopping mall

Land Securities is to build a shopping centre with an estimated development cost of £100m at Churwell, Leeds.

Land has reached agreement with White Rose (Leeds), a joint venture company between a subsidiary of Yorkshire Water and Evans of Leeds, the property company.

Land will take a 999 year lease of the land in return for a share in the net rental income of the centre once it is opened.

### DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| CIA § | Int | 0.51† | Oct 5 | 0.487* | - | 1.713* |
| Drayton Far East | Int | 0.125 | Oct 7 | 0.125 | - | 0.675 |
| Elsevier | Int | 1.76‡ | Oct 3 | 1.67 | - | 5.19 |
| Foreign & Col | Int | 0.6 | Oct 3 | 0.575* | - | 1.76* |
| Horace Small | Int | nil | - | 1 | - | 1 |
| Johnson Cleaners | Int | 2.8 | Oct 3 | 2.8♥ | - | 10.8♥ |
| Reed Executive | Int | 1 | Oct 10 | - | - | 1 |
| Reed Intl | Int | 6.7 | Oct 3 | 6 | - | 18.75 |
| Royal Insurance | Int | 4 | Oct 21 | 2.5 | - | 7.5 |
| Smith & Nephew | Int | 2.02 | Dec 12 | 1.89 | - | 4.91 |
| TransAtlantic | Int | 6 | Oct 17 | 6 | - | 12 |

Dividends shown pence per share net except where otherwise stated. †On increased capital. *Equivalent after allowing for scrip issue. ♥Stated after share subdivision and consolidation. §USM stock. ‡Dutch guilders; gross.

# Acquisitions help lift Reed Elsevier to £314m

By Tim Burt

Reed Elsevier, the Anglo-Dutch information and publishing group, yesterday announced a 12 per cent increase in its first-half following improved performances by its business and consumer publications.

Profits rose from £281m to £314m on sales up 9 per cent at £1.5bn (£1.39bn) in the six months to June 30.

The results were enhanced by a £15m contribution from new subsidiaries, dominated by Official Airline Guides – acquired last year for £277m – and Editions Techniques, the French legal publisher, which cost £77m.

"The acquisitions are doing well and make our full-year prospects very comfortable," said Mr Ian Irvine, co-chairman. Profits would have been higher still, he added, had it not been for lower pension credits and losses on property disposals.

Operating profits rose by 15 per cent from £295m to £340m as the existing publishing businesses benefited from organic growth and cost reductions. Cost savings and restructuring helped lift operating margins by 1.3 points to 22.6 per cent.

Ian Irvine: full-year prospects are 'very comfortable'

Mr Irvine warned, however, that flat trading conditions in some sectors meant the group was unlikely to benefit from price rises in the near future.

Scientific and medical publishing was hardest hit and Mr Irvine said "the market remained in deep trouble". Nevertheless, a reorganisation helped the area lift operating profits by 9 per cent to £83m on flat sales of £254m (£248m).

Restructuring also helped the professional publications business, where contributions from Editions Techniques pushed profits up to £65m (£59m) on turnover ahead 14 per cent to £247m.

The sharpest increase was reported by the business division. Buoyant exhibitions activity and gains by Official Airline Guides lifted profits by 34 per cent to £135m on sales of £579m (£515m).

A recovery, meanwhile, in UK advertising and positive Dutch circulation figures led to increased profits of £57m (£48m) in consumer publications, on a 5 per cent rise in turnover to £426m.

"To increase profits and, more importantly, margins in these difficult markets is an excellent achievement," said Ms Christine Munro, media analyst at Hoare Govett.

Earnings per share at Reed International, the UK publisher with a 52.9 per cent interest in the Anglo-Dutch group, rose to 23.6p (21p) under FRS3. It declared an interim dividend of 6.7p (7.5p).

Elsevier reported earnings per share of Fl 5.11 (Fl 4.41), with a dividend up from Fl 1.67 to Fl 1.76.

See Lex

# Wembley disposals likely as deficit widens to £9.7m

By Tim Burt

Wembley, the debt-burdened stadium and greyhound track operator, yesterday hinted at further disposals following a sharp increase in first-half losses.

The group, which announced a pre-tax deficit of £9.73m for the half year to June 30, against restated profits of £2.58m, may sell its US greyhound track operations to help meet a £38.4m debt repayment due by the year-end.

Sir Brian Wolfson, chairman, is thought to have held talks with possible bidders for UTR, the North American greyhound business, but no formal agreement has been signed.

UTR contributed £2.7m (£600,000) to group operating profits of £6.82m (£11.3m).

Of the group's other divisions, the Wembley Complex made profits of £5.3m (£5m); GRA, the UK greyhound business, saw profits rise to £1.5m (£1.2m) while Leisure Services reported gains of £600,000 (£300,000).

Sir Brian played down the pre-tax losses, saying they were almost entirely because of a restatement of goodwill on Pacer Cats, the computer ticketing business.

Earlier this year Wembley sold a 50 per cent stake in Pacer Cats to meet a £40m debt repayment, but had to write back £18.7m of goodwill previously written off to reserves.

Following the bank repayment, interest costs fell from £8.01m to £7.08m.

Sir Brian, however, pointed to increased turnover on continuing operations of £63.2m – up 8.2 per cent from a restated £58.4m – and said full-year prospects were encouraging.

Wembley is considering refinancing proposals from three rival groups: Apollo Advisers, the US investment house led by Mr Leon Black; Allied Entertainments, the promotions business run by Mr Harvey Goldsmith; and City entrepreneurs Mr Luke Johnson and Mr Hugh Osmond.

"It is hoped that the board will be able to present a proposal to shareholders during the second half," Sir Brian said.

Restated losses per share came out at 4.35p, against earnings of 0.39p; the company said it was unable to declare interim dividends on ordinary or preferred shares.

# Investment programme leads to loss at Division

By Alan Cane

Shares in Division Group, the first UK virtual reality company to float on the main market, rose 8p to 146p yesterday, despite half-year figures showing a loss of almost £1m.

The company warned a month ago that it would incur a deficit, tempering the news with the announcement of a strategic alliance with Hewlett Packard, the US electronics group.

Division floated in May last year at 40p.

The operating loss before tax and interest in the six months to the end of April amounted to £945,000. After £53,000 in interest received, the loss to shareholders was £982,000 or 2.6p a share. No dividend will be paid, in line with company policy.

Turnover was £2.11m, against a comparable £914,000 and equal to turnover for the whole of 1993.

Mr Iann Barron, chairman, said the loss reflected investment in product development and marketing. There had been signs of increasing maturity in the virtual reality – advanced computer simulation – market. In March the company delivered what it believed was the world's largest virtual reality system to Matsushita of Japan.

A development team had been established in North Carolina and expenditure would continue at a high level.

# Purchases and joint ventures boost CIA Group to £2.3m

By Diane Summers, Marketing Correspondent

CIA Group, the UK's largest independent media buyer, increased interim profits by 23 per cent from £1.89m to £2.32m pre-tax in spite of a sharp increase in operating costs due to expansion.

Acquisitions and joint ventures mean that the USM-traded group now operates in 13 cities across six European countries – a year ago its operations were confined to three cities in the UK.

Mr Chris Ingram, chairman and chief executive, said that 1994 would mark the move from "being a UK group with growing international business to a genuine European group".

Turnover for the six months to June 30 increased by 73 per cent to £212.3m (£122.9m), while operating costs jumped from £5.57m to £12.3m. Mr Ingram said the cost base had increased significantly "as a result of putting in place the infrastructure for building and running a considerably larger and more complex organisation operating on a multinational basis".

In the 1994 second half and moving into 1995, the higher costs would be covered by a much larger business base, he said.

Organic growth in existing businesses was 20 per cent in the first half, helped by the recovery.

Earnings were 2.76p (2.77p). The interim dividend is 0.51p (0.487p).

# Ferguson in agreed £38m bid for Elswick

By Christopher Price

Ferguson International Holdings, the mini-conglomerate, yesterday made an agreed offer worth £37.7m for Elswick, a rival label supplier.

The move will turn Ferguson into the largest group in the £600m a year UK labels market, with a share of about 10 per cent.

Ferguson is offering one new share and 175p cash for every 29.2 Elswick shares. This values each Elswick share at 18¼p, a 50 per cent premium to the closing price on Wednesday. Yesterday, the shares finished 5p up at 17p. Ferguson shares were little changed at 356p.

Mr Denis Cassidy, Ferguson chairman, admitted that the company was paying a "full price" for Elswick, but said this was partly to warn off any other predators. "We understand other companies may have become interested."

He added that the offer valued Elswick at an exit multiple of nearly 18 on historic earnings per share close to the sector average.

"We wanted a business that would be a major step in the development of our core label business. Elswick does that. It brings together two high quality businesses with similar trading styles operating in complementary sectors."

Ferguson specialises in supplying labels for the garment and food industries, while Elswick is strong in the toiletries and car care sectors.

Mr Cassidy said the deal would be earnings dilutive in the year to February 28, becoming earnings enhancing in year two.

The company is to issue up to 7.5m new shares, with the cash part accounting for £12.4m of the offer. Gearing will jump from the present 12 per cent to about 60 per cent, and increase further as investment is made in the new business. Mr Cassidy said he was confident that the synergies from the takeover would become evident "fairly quickly".

Elswick made operating profits of £3m last year on turnover of £54.2m, 75 per cent of which emanated from its labels business. The remainder came from an agribusiness based in East Anglia.

## Shanks shares rise on good first quarter

Shares in Shanks & McEwan, the waste management company, yesterday rose 13p to 97p after a confident statement by Mr Gordon Waddell, chairman.

Speaking at the annual meeting, Mr Waddell said the first quarter showed a "satisfactory improvement" over last year.

"This reflects a strong performance in the waste services businesses, which has more than offset a disappointing quarter at Rechem," he said.

Mr Waddell said Rechem had suffered from the continuing uncertainty over the importation of waste for incineration, repeating the comment he made earlier this year that it was crucial that government statements on importation regulations be implemented.

## Saville Gordon buy

J Saville Gordon Properties, the property investment and development arm of J Saville Gordon Group, has bought a retail warehouse from a private investor for £2.05m. The current annual income is £195,000.

# Relationship sours after 26 years

**Andrew Baxter and David Wighton** on the Scholes-ABB disagreement

The breakdown in relations between Scholes Group, the medium-sized UK maker of electrical installation equipment, and Asea Brown Boveri, Europe's largest electrical engineering group, looks at first glance to reflect a classic mismatch between giant and minnow.

Scholes agreed late last month to a £96.1m takeover bid from Hanson, the Anglo-US conglomerate. But on Wednesday it said it was open to higher offers and revealed that, when the Hanson bid was received, it had reached an advanced stage of discussion with Felten & Guilleaume of Germany to replace ABB as technology partner.

ABB has a 4.5 per cent stake in Scholes, and has given an irrevocable undertaking to accept the Hanson bid. But for Scholes to be seeking to replace ABB indicates how far relations between the two companies have deteriorated in the past three years.

Early in 1991, amid much fanfare, they announced the formation of two important UK joint venture companies, strengthening a relationship that had begun in 1968 with a licensing agreement. The first, ABB Wylex Sales (51 per cent owned by the UK company) was to sell the products made by the second, ABB Wylex Product & Development (51 per cent owned by ABB).

This was an expanded version of a 1980, Scotland-based joint venture producing high performance miniature circuit breakers. But it would offer a range of new products supplied by ABB, including protective equipment, infra-red sensors and emergency lighting systems.

The "little and large" element of the deal was apparent at the time – ABB's research and development spending alone was more than 10 times Scholes' annual turnover. But both sides saw attractions.

Bill Riches and Eric Drewery: their accounts of the breakdown differ, but they agree the relationship was not working

For Scholes, the deal was intended to bring protection from the shocks of the European Single Market. The late Mr Reg Harrington, then chairman and chief executive, foresaw dramatic changes in a UK market which still had about 50 installation equipment suppliers, against three or four for each of the main continental European markets.

With aggressive foreign companies buying into the UK market, he saw a broader technology relationship with ABB, Europe's largest installation equipment supplier, as the key to Scholes' survival.

ABB, meanwhile, hoped that access to 1,500 Wylex outlets would enhance its position in the UK installation equipment market, where it had been less successful than on the Continent.

The two sides' accounts of the breakdown vary, but at least they agree on one point – that the relationship was not living up to expectations.

Scholes' talks with F&G show it would be happier working with a company nearer to its size. But Mr Eric Drewery, chief executive of ABB in the UK, rejects the notion that the difference in size made failure inevitable.

"ABB is made up of many large and small companies and the relationship was between Scholes and ABB Stotz-Kontakt in Germany," he says. "The big world of ABB did not impinge on the relationship."

Instead, he says, "there was a mixed bag of problems, some small and some large, which meant we had not got the mileage we expected out of the joint ventures. We felt that Scholes could have penetrated further with the technology we supplied".

Mr Bill Riches, chairman of Scholes, says the two had come to recognise that their arrangements were not working as envisaged and relations became "quite strained".

One particular flashpoint has been the two-year negotiations for Scholes to buy Hanson's Crabtree electrical equipment interests.

Mr Riches says that two years ago ABB indicated it would support a Scholes offer for Crabtree, contribute £12m to £15m (increasing its stake to 10 to 15 per cent) and support the enlarged group with its technology.

But after BMW's purchase of Rover, he says, ABB decided it would not put new money into minority interests involving its technology unless it had some guarantee that it would eventually lead to control. Scholes could not provide such a guarantee.

Mr Drewery says ABB had little interest in a minority stake in the enlarged company, and was not in the business of becoming "a friendly banker" to Scholes. It likened its position to that of Honda at Rover to explain why it did not want an enlarged stake in the bigger group.

Due to this impasse, Scholes started looking for another European partner that would do more than just supply technology, and started talking to F&G. Mr Riches claims that ABB, seeing the writing on the wall, went to Hanson with support for a bid for Scholes.

Mr Drewery emphatically denies this – as does Hanson – and says the idea of a bid for Scholes was Hanson's alone.

Mr Riches says that, if a deal with Hanson is not concluded, he is confident that replacing ABB as Scholes' technology partner would not be contrary to its interests. F&G would even be better.

ABB, meanwhile, hopes Hanson will succeed. Mr Drewery believes the combined Crabtree/Scholes business will be more effective in marketing ABB's products in UK than Scholes was alone.

## NEWS DIGEST

### Taylor Woodrow £31m sale

Taylor Woodrow, the construction, property and housebuilding group, has raised £30.8m from the sale of the west London headquarters of the Amoco oil group.

The office building in Hangar Lane, constructed in 1986, had a current book value of £28.5m. It has been sold by Taylor Woodrow's property investment subsidiary to Sun Alliance and London Assurance.

The property produced a net rental income of £2.35m last year. Taylor Woodrow said the sale proceeds would be used initially to reduce group borrowings and to re-invest in the group's mainstream activities.

Net debt at the end of last year of £123m represented 23 per cent of shareholders' funds. The group made a pre-tax profit of £30.2m (£94.5m restated loss) in 1993.

### Creston Land buys four business centres

Creston Land & Estates, the commercial property auditor, is buying Industrial & Commercial Estates, a new company with four freehold properties.

Creston is acquiring ICE for a nominal consideration and ICE is funding the £10.6m purchase of the properties, including outstanding debts, from the receivers of City Land by way of 100 per cent non-recourse loans.

### Equifax attacks bid recommendation

Equifax, the US credit information group, has hit out at the UAPT-Infolink board recommendation of a lower takeover bid from Trans Union.

In a letter to shareholders, Equifax said that if the board was concerned that its 600p a share offer would be referred to the Monopolies and Mergers Commission, then it should wait for a judgment before advising shareholders.

Trans Union has offered 50p less, but because it has no UK operations its bid has no risk of a referral, whereas Equifax's offer is conditional upon approval by the Office of Fair Trading.

### Drayton Far Eastern static

Net assets per share of Drayton Far Eastern Trust were little changed at 165.03p at the half year to June 30, against 164.8p six months earlier.

After-tax revenue for the period dropped from £721,000 to £406,000 and earnings per share came to 0.351p (0.624p). The interim dividend is maintained at 0.125p.

### Losses widen at Unit Group

Losses at Unit Group, the USM-quoted pallet maker, widened from £388,000 to £1.66m in the year to end-March.

The deficit was split between trading losses of £1.07m, and closure and reorganisation costs of £580,000. During the year the company consolidated operations on a single site at Golborne, Warrington.

Turnover fell from £18.9m to £16.8m.

At the end of May, Unit raised £1.26m before expenses through a subscription and rights issue which, together with the sale of a former engineering site, helped cut gearing from 135 per cent to 34 per cent. Mr John Adams, chairman, said: "The group is now operating comfortably within its existing banking facilities.

"The immediate priorities are to achieve a further reduction in operating costs, improve production efficiency and recover increased timber costs by price increases."

Losses per share were 29.8p (6.3p) and again no dividend is proposed.

### CRP Leisure falls deeper into red

CRP Leisure, the USM-quoted maker of sets for the theatre, exhibitions and theme parks, saw losses increase from £117,000 to £145,000 in the half year to April 30, on reduced turnover of £230,000, against £340,000.

Mr Paul Townsend, chairman, said CRP's only active subsidiary, Victor Mara, which makes theatre scenery, continued to show a disappointing performance. Trading conditions in its business were likely to remain competitive and unpredictable.

First-half losses per share were 0.91p (0.73p).

### Wellcome drug gets US approval

The US Food and Drug Administration has approved the use of Wellcome's Retrovir in pregnant women infected with HIV, the virus that leads to Aids.

The decision comes less than two weeks after the go-ahead was given from one of its advisory panels. Usually several months elapse between the panel's verdict and approval or otherwise.

### Arcadian Intl buys Priest Hotel

Arcadian International has acquired Priest House Hotel and certain of the trading assets of Priest House Hotel Limited for a total of £3.52m.

In payment for the trading assets, Arcadian has agreed to transfer to PHHL the freehold and trading assets of two hotels at an agreed price of £1.91m. In addition Arcadian will pay the partnership which owns the freehold of the Priest House Hotel £1.61m cash.

Arcadian also has an option agreement to purchase the entire issued share capital of PHHL for about £1.91m.

### Kleinwort Overseas net assets fall

Net asset value per share of Kleinwort Overseas Investment Trust fell by 5 per cent to 277.1p in the six months to end-June, against 292.2p at the December year end.

That compared with a fall of 0.8 per cent in the trust's benchmark – the FT-Actuaries World Index – but represents a 9 per cent advance on the year ago figure of 253.6p.

Net revenue for the six months amounted to £1.53m, against £1.76m. The interim dividend is maintained at 1.5p, payable from earnings of 1.89p (2.18p) per share.

### Reed Executive £2.8m in black

A 22 per cent rise in turnover helped Reed Executive, the recruitment agency, move from pre-tax losses of £177,000 to profits of £2.78m in the 26 weeks to July 3.

Mr Alec Reed, chairman, said the high fixed costs of the business meant "even a small fluctuation in turnover means large movement in the bottom line": interim sales rose from £43.2m to £52.8m.

"The state of the economy has now recovered to the level where we are experiencing candidate shortages", said Mr Reed. He added that margins were improving as a result.

Earnings per share were 3.3p compared with losses of 0.9p, while an interim dividend of 1p (nil) is declared.

# RECRUITMENT

## JOBS: Information Technology is transforming the search for vacancies

# Window of opportunity for government policy

The middle-aged unemployed manual worker anxiously scanned the visual display unit as the Guildford Jobcentre employee keyed in "warehouse work" and "£175 a week" as the man's optimum salary and preferred occupation.

The job search, which scanned all such jobs available in the Guildford area, came up with no vacancies. A second attempt was made, this time with £150 as the desired salary. Again no luck. "Try driving", he said. This time there were no vacancies that the man found acceptable.

"Keep looking at the vacancies on the boards in the office and we will access vacancies on the computer next time you sign on," advised the Jobcentre employee.

Jobcentres, run by the Employment Service, a government agency, handle about 30 per cent of vacancies in the UK, as well as administering unemployment benefits.

The Guildford Jobcentre employee keying into the visual display unit was operating an experimental Information Technology project called called VOP (Vacancies, Opportunities and Providers.)

In addition to providing screen access to vacancies, it will also provide single screen access to training programmes and claimants' records, many on paper at present.

The system has only been running for a couple of months and so has not yet been formally evaluated. But staff hope that Mr Michael Portillo, the new employment secretary, is persuaded of the cost efficiencies of the new system and that he, in turn, can persuade his Treasury colleagues of those benefits. The cost of rolling out the programme to the 1,200 Jobcentres in England and Wales has not been worked out.

Better IT processes may be vital, say Jobcentre staff, if they are to manage their operations more efficiently. This need will be even more pressing next year when the ES, along with the benefits agency, part of the department for social security, will be administering the new Jobseekers allowance.

This new allowance, which replaces income supplement and unemployment benefit, will place even greater obligations upon the unemployed to seek work and for Jobcentres to monitor that process more closely.

But most Jobcentres while physically integrating the administration of benefits and job search, operate systems that are designed for stand-alone operations. This is at a time when the government's reforms will demand even closer integration of benefits and job seeking plans.

Not only are the IT systems that exist not integrated, but other processes are outdated and time consuming. Mr Richard Foster, regional director of the Employment Service for the south-east, grimaced as he demonstrated how staff have to drill a hole with a pen into a claimant's "back to work plan" in order to attach it to the man's claims form for unemployment benefit.

"Staff up and down the country have to do this thousands of times a week and and nobody thought of punching a hole in the form when it was printed," said Mr Foster, who recently spent a week running a Jobcentre with his senior colleagues so as to better understand the needs of frontline workers. A Jobcentre colleague said: "I estimate that I spend 10 per cent of my time keeping clients in touch with their pieces of paper."

Nevertheless, Jobcentres have been working more efficiently over the past few years, according to government criteria. Mr Foster said: "We have achieved big performance gains through better management and setting clear targets. But, there is a limit. So, we started focusing on the processes."

This involved a joint project between the office staff in the region, Price Waterhouse Management Consultants and the ES itself, led by an ES board director, in which they examined ways the centres could improve their business processes.

"We are the ones who know what our business needs," said Mrs Shirley Whittle, the Guildford Jobcentre manager. "We want to get people back to work, but we have to have the tools to do that. In the past systems were handed down to us. This time we have been involved in the process."

The design process started last November, with a series of workshops. Users, from a range of frontline and advisory jobs, first mapped out current processes and then suggested ways to make them work more efficiently.

The aim was to design an IT system that would best support both claimants and those employers offering jobs; improve advice to clients; encourage active job seeking; and boost the marketing areas of the centres' work.

A first finding of the project was that the system for taking vacancies was poor. Traditionally the least experienced member of staff was put to that job and he or she was often unable to obtain the best job descriptions.

Using a Windows-based computer package, the vacancy-taker can now access a number of prompts which make staff instant experts in different trades. "Carpenters are not just carpenters," said Mrs Whittle. "There are first fix and second fix, for example and those vacancies demand different skills."

Such vacancies are instantly placed on the computer system, which sends the details to all four Jobcentres participating in the project. Press another button and there is an instant print-out for the notice boards. Before this, jobs were written out for the boards.

Mrs Whittle said that in the past staff were often tempted to keep the best vacancies for their Jobcentre, only passing on less desirable ones to other offices in local travel to work areas. The new system, she said, giving automatic distribution of vacancies would be to the benefit of both clients and employers.

Despite a few teething problems Guildford Jobcentre staff described VOP as "brilliant." Staff pointed to what they called a glaring example of systems not keeping up with new demands on the service. This involved what is called "active signing", a new procedure in which claimants attending the Jobcentre to "sign on" every few weeks are now actively asked what they are doing to find a job. Such information is recorded.

But, the Jobcentre staff signing them on in most offices have no sheafs of vacancies on their desks. Normally they physically have to get up and walk to the boards displaying vacancies if they want to guide claimants to jobs on offer. Most do not have the time to do so.

VOP offers such a service at the press of a button, as well as automatically recording what jobs people may have declined or tried to get – information which will be even more vital with the Jobseekers allowance. Such information is manually recorded at present, a process that is not only time consuming but also not foolproof.

"VOP will help staff test availability by giving them instant access to a much larger number of vacancies of the kind that the job seeker says he is looking for," said Mr Foster.

"The system is great" said one young employee at Guildford. "I had one man who wanted retail work. He could not believe it when 200 vacancies flashed up on the screen. I get more job satisfaction because clients can actually become involved in the process as well as seeing that you are trying to help them."

While the middle aged manual worker seeking warehouse or driving work did not like the information that was being flashed in front of him, there was a sense that he felt a participant in the process.

The system may in turn place new demands on employers. Mrs Whittle said: "Sometimes employers ring Jobcentres with vacancies that we know nobody will accept. These vacancies are not always actively promoted. Now all jobs taken are instantly put on record. But, because one of our assessment criteria is the number of vacancies that we fill, we will have to communicate more effectively with employers about what jobs are acceptable."

**Lisa Wood**

# TOP OPPORTUNITIES

## SENIOR POSITIONS IN GENERAL MANAGEMENT

DEPARTMENT OF ECONOMIC DEVELOPMENT
INDUSTRIAL RESEARCH AND TECHNOLOGY UNIT

DEPARTMENT OF ECONOMIC DEVELOPMENT

irtu

### CHIEF EXECUTIVE

#### OF THE INDUSTRIAL RESEARCH AND TECHNOLOGY UNIT

Applications are invited for this senior post in the Department of Economic Development which will become vacant by the end of 1994.

IRTU provides technology-related services to NI industry. Its aim is to improve the competitiveness of industry and strengthen the economy of Northern Ireland by encouraging innovation, industrially - relevant R & D and technology transfer.

The appointment is offered on the basis of a 3 year contract with the possibility of renewal. The Department would also be prepared to appoint on the basis of an inward secondment in which case the terms would have to be agreed with the parent organisation.

The salary will be related to the Northern Ireland Civil Service Grade 3 range which currently is £52,704 to £62,817.

The successful applicant will be qualified to the third level in a technology related discipline and have extensive senior management experience in the public or private sectors. He/she will also hold the office of Chief Engineer and Scientist in DED, and in that role will provide appropriate advice to the Minister and Government.

A job information sheet is available on request from Miss Anna Cooper, Department of Economic Development, Netherleigh, Belfast BT4 2JP, Telephone 0232 529215.

The closing date for applications will be 31 August 1994.

The Northern Ireland Civil Service is committed to equality of opportunity in employment and welcomes applications from all suitably qualified applicants, irrespective of religion, gender or disability. As Roman Catholics and women are currently under-represented amongst the senior general service grades, applications from the Roman Catholic section of the community and from women would be particularly welcome. All applications will be considered strictly on the basis of merit.

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CJA RECRUITMENT CONSULTANTS GROUP
2 London Wall Buildings, London Wall, London EC2M 5PP
Tel: 071-588 3588 or 071-588 3576
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**Challenging opportunity for a seasoned manager to work a 2-3 year contract in Nigeria prior to transfer elsewhere in the Group worldwide.**

CJA

### PRODUCTION AND TECHNICAL DIRECTOR- PRINTING INKS FACTORY

**ABUJA, NIGERIA** **£70,000-£110,000 + free housing and car**

**RECENTLY ESTABLISHED NIGERIAN/SWISS JOINT VENTURE OPERATION SET UP TO PRODUCE PRINTING INKS IN NIGERIA**

We invite applications from mature and energetic individuals, aged 35-50, who must have had significant production/ manufacturing management experience, ideally in paper, printing, chemicals or similar industries. This experience must include 3-4 years' working in West/Central Africa and working with, managing and motivating an indigenous work force.As the selected candidate you will report to and work closely with the local Managing Director, whilst having a strong management liaison line with a senior Director in Switzerland. Your role will be to manage effectively the total technical and production activity in this new factory employing 30-35 staff, although this is planned to expand rapidly in the future. There will be full technical support from Switzerland. Essential qualities are confidence, integrity plus well developed diplomatic and 'make it happen' skills. Initial salary, including payment arrangements, is negotiable in the range £70,000 - £110,000, + free housing, free car, paid home leave flights, assistance with school fees and other ex-patriate benefits. **Applications in strict confidence under reference PTD4989/FT to the Managing Director: CJA**

# BANKING FINANCE & GENERAL APPOINTMENTS

## Exceptional Opportunities in Corporate Trust & Agency

Bankers Trust Company

Excellent Remuneration including Bonus & Benefits City

**Bankers Trust is a leading US investment bank providing wholesale financial services to clients throughout the world. The International Corporate Trust and Agency Group (CTAG) provides global capital markets services including agency, trustee and depositary services. It is a fully autonomous business group with offices in New York, London, Dublin, Luxembourg and Hong Kong and enjoys an unparalleled reputation for innovation and service quality. As part of the continued expansion of this highly successful business, a number of ambitious and commercially oriented individuals are sought for the following positions:**

### Head of Sales & Marketing

**Reference 6740/C**

**THE APPOINTMENT**

- Develop sales and marketing strategies to drive the business forward, leveraging off other product areas within the Bank.
- Manage and coordinate all sales and marketing activity for the group.
- Key member of the senior management team contributing to the overall direction of the business.

**THE REQUIREMENTS**

- In-depth understanding of capital markets with previous front-line sales/marketing experience.
- Leadership qualities, excellent interpersonal skills, vision and creativity.
- Well educated, highly motivated self-starter, preferably with previous team management experience.

### Salesperson

**Reference 6740/D**

**THE APPOINTMENT**

- Develop and maintain sales effort in designated geographic and/or product areas.
- Create innovative strategies to broaden the business unit's exposure in target client areas.
- Liaise with marketing and relationship management officers to build profitable long-term business.

**THE REQUIREMENTS**

- Proven record of sales success in capital markets, preferably with exposure to Depositary Receipts.
- Ideally a command of one or more foreign languages.
- Articulate, profit-oriented team player who "lives to sell".

### Relationship Manager

**Reference 6740/E**

**THE APPOINTMENT**

- Develop and expand existing customer relationships, promoting the concept of a single service provider.
- Identify further revenue opportunities by cross-selling all CTAG and Bank services, in close cooperation with sales people.
- Ensure excellent levels of service and build thorough understanding of pricing and documentational needs.

**THE REQUIREMENTS**

- Previous client management or sales experience, perhaps in a corporate banking or corporate finance function.
- Documentation review experience an advantage.
- Second language desirable but not essential.
- Excellent communication and negotiating skills, strong team focus and commercial acumen.

Candidates for all of the above positions must have had exposure to the capital markets field, through experience in investment banking, commercial banking or client service organisations targeting the financial services sector. These are excellent opportunities to break the traditional operations mould and make a significant personal impact within this rapidly growing and high profile business unit.

Please apply in writing, quoting the appropriate reference number, to Susannah Truswell.

**K/F Associates**, Regent Arcade House, 252 Regent Street, London W1R 5DA.

K/F ASSOCIATES
*Selection & Search*

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AI TC

## Investment Trusts

ASSOCIATION OF INVESTMENT TRUST COMPANIES

### Director, Adviser Services

Our client, the AITC, will shortly make the above major appointment. The main thrust of the job is to direct a programme designed to educate financial advisers in the use of investment trusts.

Controlling a small team, the position will report to the Director General and be responsible for:-

- *the creation of a coherent plan of campaign, including targets and objectives*
- *the day-to-day running of the programme*
- *development of new education and training techniques*
- *making presentations and preparing written promotional material*
- *maintaining regular contact with financial advisers nationwide.*

The successful candidate will be able to demonstrate a strong technical knowledge of investment trust companies. It will also be essential that he/she possesses a good working knowledge of the IFA community. Communication skills, including public speaking, will be particularly important to the job. Possibly a qualified accountant or a lawyer could be appointed to this position.

This is a key position in the AITC and an attractive salary plus benefits package will be negotiated and is unlikely to prove a problem for the right candidate.

**Applicants should apply in writing with a brief CV together with a covering letter, demonstrating their relevant knowledge and experience.**

**Please contact Jock Coutts at Career Plan Ltd., 33 John's Mews, London, WC1N 2NS. Fax: 071-831 7623**

Career plan LIMITED

*Personnel Consultants*

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Trade Finance Company

## Trade Finance Manager

Excellent Remuneration London

**Our client provides trade consulting services to blue chip multi-national companies. It specialises in countertrade, trade financing and debt settlement utilising oil, gas and other commodities. Major areas of activity include CIS and Indian sub-continent. Advice to clients includes trade finance, contract negotiations, shipping and transaction implementation. Rapid growth in the company requires a Trade Finance Manager with unlimited potential.**

**THE APPOINTMENT**

- Handle client relationships.
- Provide financial structures to meet client needs.
- Manage commercial negotiations with third parties on behalf of clients.
- Develop trading opportunities for products offered in countertrade deals.
- Establish client marketing database and handle contract administration.

**THE REQUIREMENTS**

- University degree, aged about 30 ideally with language skills.
- Highly energetic individual who is prepared to travel
- Background in banking and/or a trading company.
- Experienced in trade finance and in implementation of commodity deals.
- Entrepreneurial approach to business opportunities and constructing deals.

Please apply in writing with full CV and salary details, quoting reference 90776/A, to Nigel Rose.

**K/F Associates**, Regent Arcade House, 252 Regent Street, London W1R 5DA.

K/F ASSOCIATES
*Selection & Search*

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## Director and Associate

### Global Structured Products Group

Attractive Package Zurich

UBS Limited's London Global Structured Products Group wishes to recruit a Director and an Associate to work in its Zurich office.

The Director will develop, structure and execute tax-based investments, financings and private placements, initially focusing on Switzerland, Germany and Austria. The role will also include responsibility for developing the relationship with existing structuring groups in Zurich. Fluent in French or German, you will have at least five years' experience of structured products and sound knowledge of Capital Markets.

The Associate will work in the Zurich office on a two year secondment, reporting to the Director. The role includes preparing presentations, modelling cashflows and working with external lawyers to develop complex structures. You will also have internal and external marketing responsibilities. You will probably have two years' experience in either derivative markets or structuring and be fluent in French or German.

Both roles carry an attractive remuneration and benefits package.

Please send your full career history and current salary details by 31st August 1994 to:

**Wendy Barton – Personnel Department**
**UBS Services Limited**
**100 Liverpool Street**
**London**
**EC2M 2RH**

UBS Limited

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## CREDIT ANALYST

**£30,000 + Bonus + Benefits** **Central London**

Our client is one of the most respected newly established international investment management firms. This reputation has not only been gained by commercial success but also by the considered and sustained way in which the company has planned and implemented their recruitment plans. They are now at the stage where they can offer a career opportunity to a young, high-calibre Credit Analyst.

Working with the existing investment team, your primary responsibility will be the contribution of measured, yet creative credit analysis advice. Due to the nature of the team structure, however, you will also be given the opportunity to learn new skills and make a direct impact on the core business.

Ideally aged between 25-28 you must have a good degree (2:1 or above) in a numerate discipline. This will be reinforced by 2-3 years' experience of credit analysis which may, for example, have been gained in either a corporate credit department or in credit research on a dealing floor. A knowledge of derivatives will be particularly advantageous. It is absolutely vital that your commercial experience is reinforced by a dynamic and creative attitude to your career and the environment in which you work. You must be keen to work with people who will expect you to actively contribute to the direction and the success of the company on a day to day basis and not just according to individual credit briefs. You must, accordingly, be accustomed to working both independently and as part of a team, combining an entrepreneurial spirit with a hands-on attitude. Most importantly, you must be eager to join an organisation whose commitment to your growth will be as great as to their own.

For further information, please contact McGregor Boyall Associates, quoting reference CAFT34, on 071-734 4010. Alternatively, send your CV to us at Sutherland House, 5-6 Argyll Street, London W1V 1AD. Fax: 071-734 1297.

McGregor ■ Boyall
Business & Technology Selection for Financial Markets

# Project Finance

## Top Investment Bank

**Excellent Packages** **London**

**Two exciting opportunities for experienced infrastructure finance advisors, in a leading global house. International roles with extensive travel from a London base.**

THE COMPANY
- Highly successful, integrated investment bank.
- Strong existing reputation for creating winning financial packages for major infrastructure projects.

THE POSITION
- Marketing and executing financial advisory mandates for infrastructure and power projects.
- Extensive involvement in financial analysis and modelling complex cash flows and tax structures.
- Particular focus on the European Union and Asia.

QUALIFICATIONS
- Both positions require: outstanding academic qualifications, including MBA or other relevant postgraduate degree; extensive experience of infrastructure project advisory work and an appreciation of overseas cultures, preferably from having lived and worked outside the UK.
- For one position exceptional and broadly based language skills are required.
- For the other, experience of advising and executing projects in Portugal is a prerequisite.

**Please send full cv, stating salary, ref HN3103, to NBS, 54 Jermyn Street, London SW1Y 6LX**

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NBS

LONDON 071 493 6392
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Bristol 0272 291142 • Edinburgh 031 220 2400
Glasgow 041 204 4334 • Leeds 0532 453830
Manchester 0625 539953 • Slough 0753 819227

# Interest Rate & FX Derivatives Trader

**London** **£ Excellent**

Our client, a leading global Investment Bank and recognised market leader in the innovation and trading of derivative products, seeks to hire an experienced trader to join its London based team. The bank is actively increasing its exposure to non $ currency risk, specifically in Europe.

The ideal candidate will have 3-4 years experience of trading exotic and second generation options on European currencies and interest rates, with an emphasis on developing and structuring product ideas as well as effective risk management. It is envisaged that the successful candidate will be working for a leading trading house, with significant commitment to Europe.

The successful candidate will be highly educated with a proven strong technical background and proven trading record in derivative products.

Interested applicants should write to **Gavin Starling at Michael Page City, Page House, 39-41 Parker Street, London, WC2B 5LH,** quoting reference **199147.** Fax **071 405 9649.**

All applications will be treated in the strictest confidence.

**Michael Page City**
International Recruitment Consultants
London Paris Amsterdam Dusseldorf Sydney

Frankfurt am Main

# Implementing your own ideas within a professional team

Within our strategic planning concept, Commerzbank attaches special importance to expanding dealing in money market-orientated interest rate products. Accordingly, full attention is devoted to further enhancing the professionality of our team. The focus of its activities is on Financial Futures, Interest Options and FRAs. To strengthen this team we are now looking to recruit a

## Dealer (m/f) for Derivatives in Money Market-Orientated Interest Rate Products

This opportunity is addressed to that select group of top specialists who – as graduates with an emphasis on mathematics – have acquired several years of experience in trading interest rate products. With a thorough understanding of economic and technical analyses, the successful candidate will trade independently using his/her own performance-driven ideas.

Commerzbank offers the working environment you may have long been seeking: minimum hierarchy, maximum team spirit and recognition of capability and performance.

**Are you seeking a better setting for your talent?**

If this opportunity interests you, please contact us, or submit your Curriculum Vitae, in strictest confidence. Kindly address your reply, bearing the notation "Dealer for Derivatives", to Commerzbank AG, z.H. Herrn Kowalski, Zentraler Stab Personal Internationales Finanzgeschäft, Fachbereich 1, D-60261 Frankfurt am Main.

**COMMERZBANK**
German Know-How in Global Finance

MERCURY
ASSET
MANAGEMENT

# PRIVATE CLIENT FUND MANAGER

We are one of Britain's leading investment houses with £1.8bn of UK private client funds under discretionary management. Owing to the continuing growth of our business, there is an opportunity for a motivated and professional fund manager to join our UK private client team.

**THE ROLE:**
- Manage and administer substantial portfolios on behalf of discretionary private clients
- Be responsible for all aspects of day-to-day client relationships
- Contribute to research on a UK sector
- Present our services to potential clients

**THE QUALIFICATIONS:**
- Minimum of five years' private client fund management experience
- A graduate aged between 27 and 40 preferably with the IIMR or equivalent qualification
- Strong client handling and communication skills
- A pragmatic and sensitive team player

Please reply enclosing CV and handwritten letter to:
BG Selection (Agy), 1 Founders Court, Lothbury, London EC2R 7HD. Telephone: 071-929 7770

INVESTORS CHRONICLE

# COMPANIES WRITER

We require an investment analyst/financial journalist for our companies section. The position will be offered on a one year contract-basis.

The job is interesting and responsible, analysing the performance of quoted companies and giving an informed comment on the shares. Each writer has his/her own sectors but is expected to work as a member of a team.

Candidates need to be able to interpret a company's financial performance, assess its likely impact on the share price and put this into clear, concise and entertaining language while meeting demanding deadlines.

Please send CV with hand-written letter to Ceri Jones, The Editor, Investors Chronicle, Greystoke Place, Fetter Lane, London EC4A 1ND.

*The FT Group is committed to being an Equal Opportunity Employer*

BRADFORD
CITY OF OPPORTUNITIES
FINANCE

# Overseas Investment Manager

**P05/6: £24,090 - £26,961 p.a.**
**plus professional market supplement**
**(pay award pending)**

The West Yorkshire Superannuation Fund is one of the largest UK Local Authority pension funds having investments with a current total market value of £2,500 million including overseas securities valued at £600 million. The fund is administered by the City of Bradford Metropolitan Council and its entire portfolio is managed in-house by the Investments Section within the Directorate of Finance.

The postholder will head a small team having responsibility for the management of the funds overseas securities.

Applicants should be qualified accountants or educated to degree level or equivalent, have at least 2 years' relevant investment management experience and possess the drive and innovative skills necessary to make a successful contribution to the investment performance of the fund.

For an informal discussion, please contact Peter Turnor on Bradford (0274) 754219.

Closing date: 30 August 1994. Ref. F570/FT

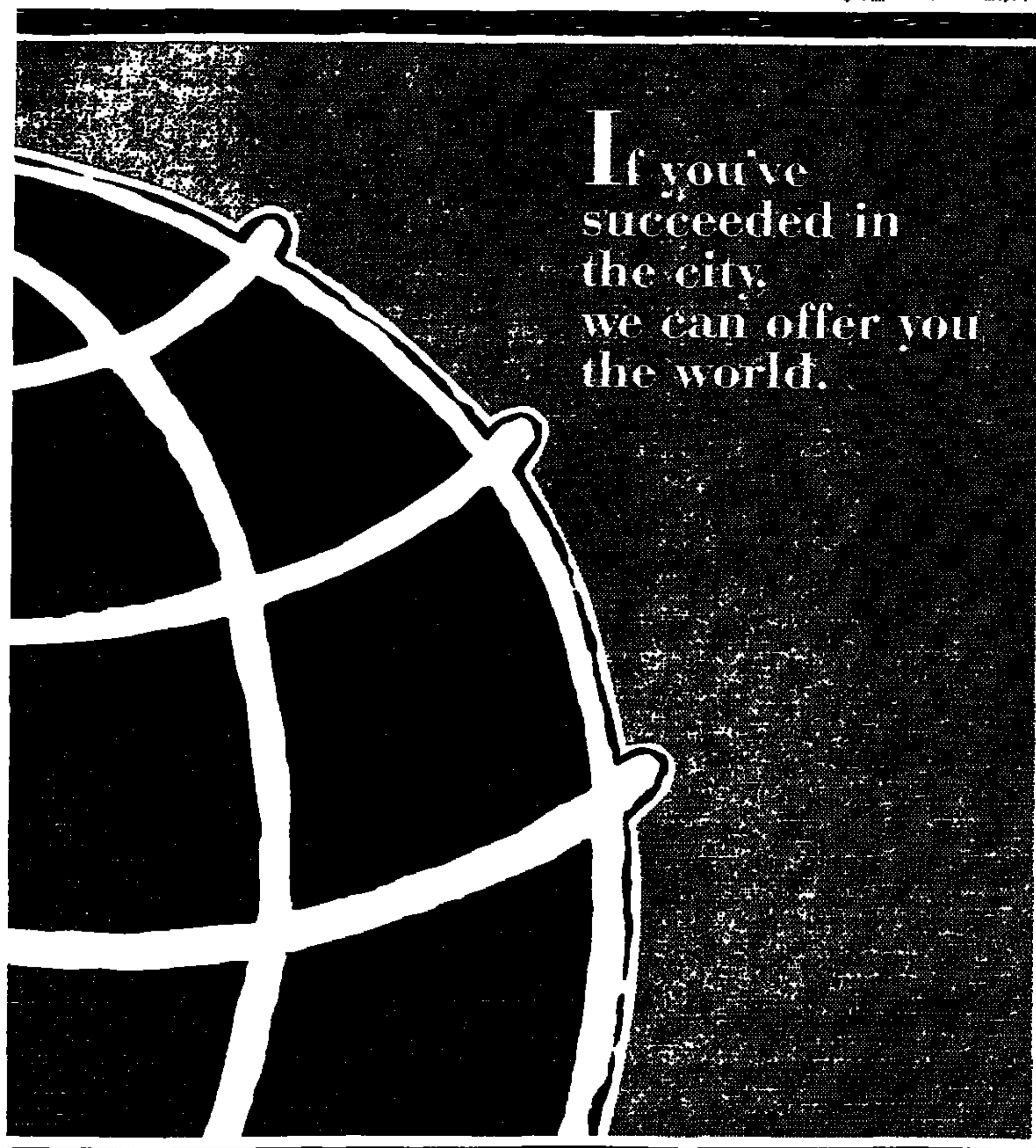
**Application forms are available from the Director of Finance, Department 21, Personnel Office, 1st Floor, Britannia House (Broadway Entrance), Bradford BD1 1HX Tel. Bradford (0274) 752765.**

Unless otherwise stated, all full-time Officer posts are available for job sharing, (partner not necessary).

As an Equal Opportunities Employer, Bradford seeks a workforce which reflects the community we serve. We welcome applications from those groups under-represented among our staff.

*Equal Rights at Work*

CITY OF BRADFORD METROPOLITAN COUNCIL




# TRAINEE DEALERS/ CAPITAL MARKETS

**c£27,000 with enormous potential**

You've probably already looked in from the other side and said to yourself, "I could do that".

Now's your chance. Because we're looking for graduates who are under 25, probably working in the City – perhaps with a background in Banking, Insurance or Accountancy- and want to make the transition into the exciting world of dealing.

You already have a high degree of integrity and professionalism, along with a good understanding of the banking and financial world. Now you have the chance to unleash the determination and ambition that have been driving you in search of a new, more interesting and global challenge.

We're not promising an easy life. The work you will be doing demands extraordinary application and commitment. But we do promise that, if you succeed, you will have proved yourself in one of the toughest environments around. As the rewards themselves will prove, when you progress from strength to strength.

You will need to be able to demonstrate tremendous potential, alongside a record of considerable achievement. That must include at least three A levels ( grade B minimum) and a good degree (minimum 2.1). But in addition to your academic prowess, high intelligence and numerical ability, you must possess a high degree of confidence, determination, decisiveness and communication skills in abundance.

For our part we will offer a level of training that is quite exceptional, in the highly charged, professional environment you would expect from a bank of our standing. We are after all one of the largest banks in the US, and our London dealing room is recognised as a world leader in Foreign Exchange, Money Markets, Derivatives and Securities trading.

If you're the right person to cope with this challenge, our world could be yours.

Send a copy of your CV, clearly listing your academic achievements, to our consultants at Moxon Dolphin Kerby. Ref. 4547, 178-202 Great Portland Street, London W1N 6JJ. Closing date for applications 22nd August 1994.

**CHEMICAL**

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

# GRADUATE FINANCIAL JOURNALIST

Extel Financial, the real time news service of the Financial Times group, requires a financial journalist. Applicants should be recent graduates with an economics background and knowledge of financial markets. Journalistic experience would be an advantage, and the ability to work well under pressure is essential.

Please apply with CV to: David Massey, News Editor, Extel Financial Ltd, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.

# CONTROLLER - FUTURES AND EQUITIES

U.K. operating arm of privately-held global market maker and broker in exchange-traded financial and related products seeks an aggressive, results-oriented manager for the new position of full-charge Financial Controller of European Operations.

Responsibilities will include hands-on production and analysis of internal financial information, SRO regulatory reporting, budget design, cash flow analysis, and more. The successful candidate will possess an appropriate degree and have 5-10 years relevant job experience.

***Please send resume with salary history to:***
***Box A2130, Financial Times, One Southwark Bridge, London SE1 9HL***

# TRUST AND ESTATE ADMINISTRATION MANAGER

**Central London** **c£35,000 package**

**Our client is a long established private financial services company which also manages and administers a range of high value and complex family trusts. An opportunity exists to participate in future structured growth by developing the trust and estate administration department by the appointment of a proactive manager.**

Reporting to the Managing Director and working closely with trustees, legal advisers and tax specialists, this demanding position will be responsible for managing all trust administration, and the maintenance of computerised records to strict deadlines. It will be necessary to provide advice to both trustees and beneficiaries, maintain financial controls, and assist with administering estates.

Applicants should be aged between 30 and 40 who can demonstrate a successful track record in trust administration – preferably from a banking or accountancy background. Sound judgement, excellent communication skills and the ability to delegate and motivate a small department, are considered essential qualities.

The remuneration package can be tailored to suit the successful candidate and could include a company car. There is a non-contributory pension scheme and private health insurance, and future progress will only be limited by personal performance.

**Kidsons Impey**
**Search & Selection Limited**
**29 Pall Mall, London SW1Y 5LP**
**Telephone: 071-321 0336**
**Fax: 071-976 1116**
UK, France, Germany, Italy, Austria, Hungary, Poland, Belgium, Switzerland, Czech Republic and Slovakia

KIDSONS IMPEY
Search & Selection Limited
International Search Group

*Interested candidates should send a comprehensive CV, including details of current remuneration and a day time telephone number, all of which will be treated in the strictest confidence, to Andrew Sales FCCA, quoting ref. no. 772.*

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Senior Project Management Leading US Investment Bank

# European Financial Systems Strategy

## £ Excellent + Bonus + Benefits

Our client is one of the world's most powerful financial institutions and a pre-eminent force in global securities markets. The environment is one of expanding business volumes and increasing product complexity in which the strength and sophistication of the systems infrastructure are of paramount importance.

The organisation now wishes to appoint a key individual whose brief will be to manage a programme to enhance the firm's European control and reporting systems. Reporting to the Chief Financial Officer and liaising with senior management across finance, technology, operations and the front office globally, you will be responsible for co-ordinating the efforts of multiple teams involved in financial systems developments. Your role will be critical to the design and implementation of a broad range of systems across all product areas.

You will have executive level project management skills, extensive experience of I.T. within the context of financial control and a sound understanding of securities trading and investment banking. Probably a graduate ACA, your record of achievement to date will be underpinned by technical excellence and superb interpersonal skills.

For an individual with ability, energy and vision, the scope of this role is exceptional. In a culture which rewards performance your prospects for pay and promotion will be outstanding.

*Interested candidates should write to Suzie Mumme at BBM Selection quoting reference number 305 and enclosing a full Curriculum Vitae which should include contact telephone numbers. All applications will be handled in the strictest confidence.*

76, Watling Street, London EC4M 9BJ BBM SELECTION Tel: 071-248 3653 Fax: 071-248 2814

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# EUROPEAN SALES MANAGER TELECOM

VIATEL, an international telecommunications company with headquarters in Paris and regional offices in Milan, Rome, Madrid, Barcelona, Brussels and Amsterdam, offers a Paris-based, senior level position for European Sales Manager. Company provides VPN and calling card voice services to medium tier companies throughout the world, utilizing our own sales staff and local agents.

Ideal candidate should possess:

- Minimum 5 years senior level sales responsibility, with emphasis on corporate sales
- Familiarity with recent innovations and developments in telecom industry
- Multilingual skills
- Must be able to work in the EC legally

This important position offers a competitive salary/benefits package, bonus and stock option plan. Qualified applicants are invited to Fax CV to: (Paris) 33-1-40-68-15-49.

VIATEL®

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# MANAGEMENT TRAINEE

Long-term development and growth in private limited company expanding in Central London. Individuals aged 23-35 seeking opportunities in financial markets. Potential to progress to senior management, with full profit participation.

*Please call :*

John Groszek on 071 240 4943

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BBA **BRITISH BANKERS' ASSOCIATION**

# ASSISTANT DIRECTOR - BANKING SUPERVISORY ISSUES

The British Bankers' Association represents the views of the banking industry on a broad range of important issues.

We have a vacancy at Assistant Director level in our team dealing with regulatory and related matters. The successful candidate will be involved mainly in our work on banking supervisory issues, including the topical question of the regulatory treatment of market risk. The position will entail contributing to policy making and the coordination of the banks' relations with outside bodies.

For this challenging opportunity, knowledge of the framework of banking supervision in the UK will be essential. In addition, experience of dealing with regulatory bodies, government departments, Parliament or EU institutions would be an advantage. Excellent communications skills and the ability to work with minimum supervision and under pressure are essential.

Competitive salary offered, dependent on experience, with a non contributory pension scheme and other benefits.

**Applicants should write, with their CV and details of current salary, to Michael Evans, Director, Administration, 10 Lombard Street, London, EC3V 9EL quoting reference FT 8.94.**

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BECTON DICKINSON

# Assistant Treasurer Europe

## Grenoble (France)

Becton Dickinson is a leading medical technology company that employs 3,900 people in Europe and 18,000 worldwide. The company manufactures and sells a broad range of medical supplies, devices and diagnostic systems for the health care industry, medical research institutions and retail. The European headquarters are based in Grenoble, in the foothills of the French Alps.

The Assistant Treasurer Europe will report directly to the European Treasurer providing specialist expertise in cash and currency exposure management, with emphasis on the optimisation of financial resourcing for all European subsidiaries.

Key responsibilities will include on a European basis the management of cash flows and related maximisation of opportunities in the foreign exchange and money markets, supporting operating management in the funding of major investments and the further enhancement of cash management systems.

There will be a significant liaison with operating subsidiaries, financial management and the US Corporate International Treasury Department.

Candidates should be graduates, aged 30+ with a minimum of five years experience in an international treasury operation. The successful candidate will work with a small central team and must become a focal point for European financial management. Excellent communication skills and a definitive "hands-on" approach are essential for this role.

Interested applicants should forward a comprehensive curriculum vitae and current salary details to **Florence Nony, Michael Page International, 3 boulevard Bineau 92594 Levallois-Perret, Cedex, France** (quoting reference FN 10542).

MP
Michael Page International
International Recruitment Consultants
London Paris Amsterdam Dusseldorf Sydney

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# Management Accountant

**C. London** **c £30,000 + Car** **Publishing**

Our client is a highly visible and market leading newspaper publisher. They have a turnover in excess of £80 million and are part of a national media group.

An opportunity has now arisen to work closely with the financial controller and take responsibility for a small finance team. This challenging and responsible role will include:

- Supervising staff in the production of weekly accounts.
- Overseeing the production of the monthly Board Pack and preparing an analysis of variances against budget and forecast.
- Preparing the annual cost and revenue budgets, liaising with Directors and departmental managers.
- Preparing quarterly forecasts, monthly balance sheets and cash flow forecasts.
- Assisting in systems projects and the ongoing improvement of management information and financial control.

Candidates will be qualified accountants and are likely to be aged 27-34, with proven staff management experience and broad management and financial accounting skills. You should demonstrate the ability to meet tough deadlines and possess a logical and clear thinking approach.

This is an exciting chance to build your career in a successful group.

*Interested applicants should contact*
Andrew Fisher, Parkwell Management Consultants Ltd
3 Catherine Place, Westminster SW1E 6DX Tel: 071 233 5207 Fax: 071 233 5205

PARKWELL

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# INTERNAL AUDITOR PRESTIGIOUS UK MERCHANT BANK

## CITY to £32,000 + BANKING BENEFITS

Our client is a quoted independent merchant banking group whose diverse interests cover a broad range of financial services products.

Its significant progress and profitability is largely attributed to the outstanding service it provides to its clients, combined with a high calibre team of professionals working within the organisation.

Whilst continually seeking to expand their core business, they are also intent on making key strategic investments. A number of successful new ventures have recently been set up covering the areas of development capital, structured finance and fund management. Geographical expansion encompasses Europe and America.

The audit department plays a key part in identifying and controlling risk throughout the group. The developing nature of the group's activities result in a dynamic control environment in which a thorough understanding of the business issues and a close interaction with the operations, trading, financial control and systems areas is required.

Applicants should be highly motivated, possessing strong communication and analytical skills. You should ideally have gained some experience in an Investment Bank or Securities House either within audit or financial control - alternatively, you may be in practice within a Banking Group and possess good product knowledge.

**For a detailed and confidential discussion, please call JONATHAN ROBIN on 071 336 7711 (evenings/weekends 081 444 9970) or alternatively forward your CV to the address below.**

GMS
GOODMAN MASSON SHAW
*Financial Search & Selection*
2 Bath Street, London EC1V 9DX.
Telephone: 071-336 7711 Fax: 071-336 7722

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Norwest Holst

# GROUP FINANCIAL ACCOUNTANT

## Watford, Herts

## c.£27,000 + car + benefits

For more than 70 years Norwest Holst has been one of the major forces in the construction and civil engineering industry, achieving an enviable reputation for project work both in the UK and throughout the world. Through our parent company, Groupe SGE, we now form part of Europe's largest construction group and, as part of a continuous drive to improve our effectiveness, we are currently centralising all corporate activities in a single location at our head office in Watford.

This reorganisation means a challenging opportunity has now arisen for an accountant to join our finance team. On joining us, your immediate responsibilities will include 6-monthly and annual consolidation, statutory accounts and corporation tax. As you demonstrate your ability and progress, your involvement will become more widespread to include financial control for international projects and export finance and, possibly, group management accounts and treasury control.

ACA qualified, you will have around 2 years' post-qualification experience, ideally gained from a major professional practice or in a similar position for a large group within an industry environment. Your experience should have included exposure to tax work.

In return for your innovation and commitment we offer a competitive salary and car, plus a wide range of benefits including pension scheme, life assurance, 26 days' holiday and relocation assistance where appropriate.

To apply, please send your full career details to Gary Stiles, Personnel Manager, Norwest Holst Construction Limited, Astral House, Imperial Way, Watford, Herts WD2 4YX.

Working towards equal opportunities.

SGE GROUPE
Groupe SGE, Europe's largest construction group

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# Senior Retail Accountant

**West London** **c£35,000 + Car + Benefits**

This dynamic Plc has a clearly defined and established image as a key player in its sector of the fashion retail industry. It has a turnover of approximately £100m across 90 stores in prime locations nationwide. Its product design and pricing policies have allowed the company to operate profitably during the recession increasing its penetration of the market. It is now poised to continue its growth by an aggressive programme of store openings.

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## ACCOUNTANCY COLUMN

# Nostalgia is a poor bottom line for auditing

**David Maister** argues that survival means moving from the traditional base to a wider range of services

The biggest problem with the accounting profession today is that there are too many auditors and not enough accountants. What auditors are increasingly coming to realise is that an audit is a product, not a career.

Saying you are an auditor is akin to stating that you know how to make – or supervise the making of – one thing and one thing alone: an audit. You are effectively betting your career on a single product, a risky move at best.

This wasn't a bad bet back in the good old days when demand for that one product was great, when the market placed a high price on it, and clients did not shop for your product predominantly based on price.

All this has changed. Now the question is: what else can you do for me to justify the high income I've been paying you auditors for all these years?

Someone who is a pure auditor rather than an accountant has a serious career problem. Every year, all of the accounting firms are working furiously to train vast numbers of younger people to know how to do what the auditor knows how to do: supervise an audit. So, each year, the poor auditor's existing knowledge and skill is becoming less scarce and less valuable. His or her asset is rapidly depreciating in value.

Of course, this sad situation is true of all professionals. They must continue to build new skills to stay ahead of the pack. But how does the poor auditor who wants to remain an auditor do this?

The great business virtue of auditing – that it is annually recurring work – is also the greatest career trap for the auditor. He or she is not going to learn new things rapidly by auditing the same companies year after year. Keeping up with the latest changes in accounting regulations helps, but could hardly be called rapid skill building.

The best and most obvious way to continue to build skills is to stop auditing the same clients and trade up to doing the audit of larger, more complex client organisations which pose stretching, challenging audit issues.

It is not a bad solution, but unfortunately one that is available only to a tiny percentage of those trying to earn a living as auditors. Not every partner can audit British Telecom or its equivalent. In fact, it is fairly safe to say that the vast majority of auditors, if they are to keep their skills and knowledge valuable, will have to start doing something besides auditing.

They will have to become accountants! They will have to start providing accounting and finance-related services that clients view as worthy of high fees. While it is true that accounting has long provided these services, that is not the point.

The auditors themselves will have to be involved in providing these services. It may be nice for the client and your firm if one of your other partners provides these services, but where does that leave you? With a depreciating asset and a declining career.

Firms keep telling their auditor to cross-sell the services of other partners, but that is not really the individual's need. What the auditor needs to do is sell additional services that he or she can perform, and thereby learn something new.

Accounting firms have long talked about turning their audit partners into "business advisers" – for so long in fact that the mere use of the phrase inside most firms elicits automatic grins and groans. But action has been limited.

As a simple test, I often ask groups of audit partners: "How many of you regularly read the trade magazines of your top one or two clients?" The answers around the world (I have tried this in Europe, North America and Australia) are always less than 10 per cent. So much for being business advisers.

Some changes are observable. Firms and individuals are beginning to get serious about industry specialisation, finally responding to explicit client pleas that "If you want to be more valuable to me, get to know my business and give me business ideas".

Firms are also beginning to put pressure on their partners to keep up their learning and not just "cruise" on existing skills. If there is an "up-or-out" system for those trying to become partners, there is now increasingly a "grow-or-go" system for those who have made it.

More and more, firms are looking at ways to re-engineer their audits, not only to reduce cost but to generate the kind of business-diagnostic information that will allow auditors to spot the need for additional value-added services. They are making use of executive education training for their partners to try to give them "mini MBAs".

All of these actions are sensible, but they still leave open the most important question of all: is there a future in auditing? The more firms push to create the "full-blown value-added audit", the more they raise concerns about the question that strikes at the heart of their existence: independence.

If there are already regulatory and legislative questions being raised in the EU and the US Congress about auditing firms providing advisory services, how will it look if the actual auditors start rendering these services?

Any way you look at it, auditing cannot continue much longer as it is. It is a business full of paradoxes. To begin with the obvious, the providers think they are offering one thing (an attestation that financial accounts are in accordance with generally accepted principles). Meanwhile, the users of the service (despite the profession's best efforts to tell them otherwise) continue to believe that the service is something else: guaranteeing against fraud, affirming the financial health of the enterprise being audited, and so on. Years of debates and lawsuits have failed to bring these mismatched perceptions closer together.

The paradoxes go deeper than that. Viewed from a business portfolio perspective, the auditing product line appears to be a very unattractive component of the portfolio. It is a low-growth, declining profit business with a high exposure to litigation. Why would a firm that had options want to nurture this product line?

The firms reply that it is a good regular, dependable cash flow, year after year, an annuity. This reminds me of the old joke of losing money on each item you sell, but making it up on the volume.

They say that the value of the audit is that it is a base from which they can cross-sell other services. I would believe this more if the firms had a better track record of cross-selling additional services, and if the regulators were not after the firms to stop them doing it.

Most firms' consulting and tax departments tell me firstly that they bring in most of their business themselves and do not rely on audit clients; and secondly that their most troublesome clients are the audit clients, because they expect the same low fee levels the auditors charge.

Is there a future for audit? There will always be a need for audits, and someone will have to do them. However, I think the profession has a long way to go in completing the transformation it has only just begun.

Most accounting firms today still think of themselves (or did until recently) as audit firms which happen to provide a range of other services. If they are to survive, they must drop their nostalgia and realise that they have become accounting-and-finance-advisory firms for which the audit is just one of their products, and a diminishing, ever-less attractive one at that.

*David Maister is a consultant to professional firms and author of Managing the Professional Service Firm, Free Press, 1993.*

# Senior Internal Audit Positions

**Kuwait** — **Attractive Package**

*▪ Our client is a leading commercial bank in Kuwait engaged in domestic branch banking activities, besides specialising in project/trade finance to multinational corporations. They also actively participate in international lending/investments and private banking, and are active in international treasury operations.*

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## Chief Internal Auditor (Ref: CIA/369/1)

*▪ The Chief Internal Auditor will report to the Chairman and Managing Director and, as the head of the function, will be responsible to lead a team of audit managers and supervisors in carrying out regular financial, operating, security and computer audits and special purpose assignments on management and efficiency audits.*

*The ideal candidate for this challenging position will meet the following criteria:*

- *CA, CPA or equivalent qualification with about ten years of internal auditing experience in a bank or financial services institution*
- *at least four years of experience as the head of an internal audit function*
- *experience of developing and implementing programmes for computer audits*
- *ability to speak and/or write Arabic, though not a necessary qualification, will be an advantage.*

## EDP Audit Manager (Ref: EAM/369/2)

*▪ The EDP Audit Manager will report to the Chief Internal Auditor and will be responsible for planning, managing and implementing the EDP audits in the bank. The EDP audit activity encompasses system development, programme maintenance, applications, data processing, security and other automated technology. He will also be expected to provide high quality technical support for implementing computerised audit techniques in the internal audit department, which include operations and financial audit.*

*The ideal candidate for this position will meet the following criteria:*

- *a CA, CPA, CIA, CBA or CISA*
- *ten years of experience in EDP auditing, with at least five years with a commercial bank or a financial services company*
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**THE REQUIREMENTS**

- Commercial degree or accountancy qualification; probable age range 33 to 40.
- Functional experience in finance and/or business/strategic planning.
- Meaningful exposure to international business activities; second European language advantageous.
- *Career background in consumer products preferred but not essential.*
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**Candidates should hold an appropriate professional qualification and have experience at a senior level of computerised management accounting, ideally within an Engineering and Project Management orientated organisation. A natural disposition towards team-working and strategic thinking, a strong intellect and commercial focus are also essential.**

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## COMMODITIES AND AGRICULTURE

# Wheat futures up after US report

By Laurie Morse in Chicago

Wheat prices rallied yesterday at the Chicago Board of Trade as traders responded to US government forecasts of smaller world wheat production and improved near-term export prospects for US wheat. Wheat futures for December delivery were up 4½ cents a bushel in midday trading.

In its monthly crop report, the US Department of Agriculture reduced its world wheat output estimate to 541.95m tonnes, from an earlier forecast of 546.1m. The agency also trimmed its estimate of US wheat production, largely on deteriorating prospects for the US spring wheat crop. The USDA cut its spring wheat production estimate to 564m bushels, from last month's forecast of 605m.

US Durum wheat production will jump to 98m bushels, up nearly 40 per cent from last year, reducing the need for imports and taking the pressure off a trade dispute between the US and Canada.

Traders said US wheat export prospects were also improving, with Pakistan and Egypt making purchase inquiries for wheat this week.

As expected, the USDA forecast bin-busting harvests for US maize and soyabeans, in a remarkable recovery from last year's disastrous crops.

Given favourable weather conditions US farmers should harvest a near-record 9.2bn bushels of maize this fall, and a record 2.3bn bushels of soyabeans, the government said.

The estimates, the first of the season for the USDA, fell near traders' expectations. The agency also boosted its export and feed use figures for soyabeans, causing futures prices to move higher.

MARKET REPORT

# Aluminium breaks its resistance level

There was a late-afternoon spike in **ALUMINIUM** and **COPPER** prices on the London Metal Exchange yesterday. Three-month aluminium broke through a technical resistance level at $1,485 to close at $1,485.25, up $14.50 a tonne from Wednesday's close.

Dealers said the move was supported by positive technical indicators and improving fundamentals, and they were looking for an LME stocks drawdown today to keep the upward momentum. "Prices may now have the strength to go above $1,500," one dealer said.

Copper also moved higher but remained in its $2,400-$2,430-a-tonne range. Dealers said copper could test the higher end of this range today, though they were wary that the LME may report another stocks rise today. Copper closed at $2,417.50, up $7.

**NICKEL** staged a technical rally in choppy trading, though there was selling towards $5,900 a tonne.

**COFFEE** prices slipped by $83 a tonne to see the November futures contract on the London Commodity Exchange close at $3,200 a tonne. The market had bounced off the day's low as some coffee roasting companies returned to buy stocks, but trading remained thin and jittery ahead of a report from the US Department of Agriculture today assessing the frost damage to Brazil's crop.

The market has lost about 10 per cent of its value this week as fears of more frosts in Brazil have receded.

# Chinese tin exports rattle a fragile market

**Kenneth Gooding** writes on the challenges facing the metal's producers

The possibility that Britain's last operating tin mine – South Crofty, near Redruth – might close down raised emotions in Cornwall but it created not a ripple of interest elsewhere in an industry decimated over the past 10 years by mine and smelter closures.

Those left in the industry are obsessed by one question: when will the Chinese government gain tighter control over its recalcitrant tin miners and stop them pouring exports into the west? These exports, they claim, are destabilising the market and preventing tin producers from benefiting from the improvement in world economic activity.

"We expected the tin price to reach about $6,000 a tonne by now," says Mr Fidelis Madavo, tin specialist at the CRU International consultancy group. "But here it is struggling along at $5,000 to $5,100."

The tin market has been in turmoil since the sudden collapse in 1985 of a price support scheme operated by the producers' International Tin Council, which was backed by the governments. The huge stocks accumulated by the ITC – more than 40,000 tonnes – have been a malign influence on prices ever since.

Tin had already been struggling in the early 1980s because a big chunk of its market – for beverage cans – was being won away by aluminium producers.

This trend started in North America, where aluminium's share of the beverage can market has risen from 15 per cent in 1973 to 93 per cent, and it has been a growing threat in other industrialised countries too. Also thinner coatings of tin are being used on tin-plated steel cans.

Nor have the metal's main other uses been particularly buoyant. Its use in solders, now the principal application, increased throughout the 1980s as did its use in chemicals. But in 1993 tin consumption was 30 per cent below its peak 20 years previously.

In an effort to whittle away the former ITC stocks, a group of producers formed the Association of Tin Producing Countries – its aim to voluntarily restrict exports. The scheme has not worked well. Unexpected and unrestrained exports from Brazil – not a member of the ATPC – caused havoc in the early years.

Then China, now the world's biggest producer, continued to pump large quantities of the metal into export markets. The collapse of the former Soviet Union, once a substantial consumer of tin, added to the producers' difficulties.

Today the ATPC faces its greatest challenge because after much persuasion China joined in April this year. But it has flagrantly been exceeding its export quota.

China agreed to limit its tin exports in 1994 to 20,000 tonnes. The official China Daily reported at the beginning of this month that in the first half alone the country exported 24,700 tonnes, a 33 per cent increase on the same months of 1993. "The ATPC is a toothless tiger and should be disbanded," said one analyst, reflecting a widely-held view in the industry.

The China Daily also reported that the Chinese government would tighten up on tin exports in the second half of this year. It did not, however, say how.

"Do the authorities really have control over shipments?" says Mr Andy Shaw, tin specialist at the Metals & Minerals Research Services consultancy group. "China has said it will adhere to certain ATPC recommended limits on exports in previous years even though it has not been a member, but of course it hasn't."

Mr Shaw suggests that, if it had not been for China's exports of refined tin during the past few years, "the stocks overhang which was left as a legacy of the collapse of the International Tin Council could have been more or less drawn down by now".

The UK's South Crofty tin mine may be saved, but there are concerns about the industry's future

CRU's Mr Madavo expects China's refined tin exports to slow in the second half of this year but the 1994 total will probably exceed the 32,000-33,000 tonnes exported last year. China also ships out tin in concentrate (an intermediate material) and, when this is taken into account, the export total could rise to 40,000-45,000 tonnes.

"Traditional tin producers are being forced to deliver their metal into London Metal Exchange warehouse," Mr Madavo says. LME stocks, which totalled 20,000 tonnes at the end of last year, have climbed to 30,000 tonnes.

And, where CRU was earlier forecasting that western world demand for tin would outpace supply this year, it now seems there will be a supply surplus.

Consumption is forecast to rise by just over 1 per cent, from 168,000 tonnes last year to 170,000 tonnes and, while western world production is expected to shrink from 141,000 tonnes to 135,000 tonnes, that would not be enough to allow Chinese exports to be easily absorbed. The market also has to cope with steady selling from the US strategic stockpile which disposed of 6,900 tonnes last year.

Nevertheless, analysts tend to be relatively bullish about tin's longer-term prospects.

The International Tin Research Institute recently suggested that demand could be boosted by 20 per cent within five years with a number of new applications due to reach the market soon.

These include a tin-zinc alloy for plating car components; inorganic tin compounds for fire-retardant packaging; lead-free tin alloy for gunshot; antimony-tin solders with a higher tin content than present lead-tin solders; and tin bottle capsules, used instead of lead.

On top of this, British Steel has announced that its "Ultimate Can" for beverages is ready for commercial production. This can, developed with other European tinplate producers, is said to be 30 per cent cheaper than its aluminium equivalent.

Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group, says: "We are cautiously optimistic about the prospects for tin demand over the next decade.

"The decline in consumption in tinplate has run its course even before we consider the implications of the Ultimate Can. But, if producers are to enjoy the benefits of higher demand, when it eventually arrives, they must act to reduce stocks."

# Saviours of Cornwall mine due to be named

By Kenneth Gooding, Mining Correspondent

Mr David Williamson, whose consultancy organisation was instrumental in completing the funding to ensure the survival of the UK's last operating tin mine, was uncharacteristically reluctant to talk yesterday.

He hopes, however, that the indentity of the large investor or investors who had enough faith in tin's future to come to the rescue of South Crofty mine, near Redruth in Cornwall, will be revealed today or on Monday. "Until everything is absolutely in place, it is better I say nothing," he said.

South Crofty needed to raise at least £1m ($650,000) by August 4 under the terms of a package agreed with the UK government. The deadline was met and, once the legal formalities are completed, the government and the RTZ Corporation between them will waive loans totalled £31m. This will leave South Crofty free of debt and with enough development capital to sustain it for up to three years.

In the latest International Mining Review from his David Williamson Associates, Mr Williamson, a Cornishman himself, gives an indication of the arguments he must have put forward to persuade the big investor/s to provide more than £500,000.

He says the collapse of tin prices to historically low levels makes South Crofty marginally unprofitable. "But should the tin price move up from current levels of around $2.50 a lb [$5,510 a tonne] to $3 [$6,612], the mine would become extremely profitable with a net present value of close to £10m at an 8 per cent discount rate."

He points out it would be too expensive to re-open South Crofty if it were closed. "While a mine is running there is always hope," he says.

## COMMODITIES PRICES

## BASE METALS

**LONDON METAL EXCHANGE**
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1457.5-8.5 | 1485-5.5 |
| Previous | 1443.5-4 | 1470.5-1 |
| High/low | | 1493/1470 |
| AM Official | 1442-3 | 1470-0.5 |
| Kerb close | | 1493-4 |
| Open int. | 280,556 | |
| Total daily turnover | 40,245 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | | |
|---|---|---|
| Close | 1565-75 | 1560-5 |
| Previous | 1530-5 | 1520-5 |
| High/low | | 1565/1535 |
| AM Official | 1545-55 | 1540-50 |
| Kerb close | | 1565-60 |
| Open int. | 2,823 | |
| Total daily turnover | 1,098 | |

■ LEAD ($ per tonne)

| | | |
|---|---|---|
| Close | 558.5-9.5 | 577-8 |
| Previous | 555.5-6.5 | 574-4.5 |
| High/low | | 581/570 |
| AM Official | 556-6.5 | 575.5-6 |
| Kerb close | | 579-80 |
| Open int. | 41,139 | |
| Total daily turnover | 5,317 | |

■ NICKEL ($ per tonne)

| | | |
|---|---|---|
| Close | 5770-80 | 5855-65 |
| Previous | 5725-35 | 5815-6 |
| High/low | 5750 | 5890/5830 |
| AM Official | 5749-50 | 5835-7 |
| Kerb close | | 5855-60 |
| Open int. | 56,693 | |
| Total daily turnover | 10,172 | |

■ TIN ($ per tonne)

| | | |
|---|---|---|
| Close | 5180-5 | 5255-60 |
| Previous | 5105-15 | 5185-90 |
| High/low | 5120 | 5280/5195 |
| AM Official | 5115-20 | 5200-5 |
| Kerb close | | 5275-80 |
| Open int. | 18,093 | |
| Total daily turnover | 2,042 | |

■ ZINC, special high grade ($ per tonne)

| | | |
|---|---|---|
| Close | 944-5 | 968-9 |
| Previous | 931-2 | 954-5 |
| High/low | | 970/959 |
| AM Official | 935-6 | 960.5-1 |
| Kerb close | | 968-9 |
| Open int. | 105,057 | |
| Total daily turnover | 18,727 | |

■ COPPER, grade A ($ per tonne)

| | | |
|---|---|---|
| Close | 2413.5-4.5 | 2417-8 |
| Previous | 2402.5-3.5 | 2410-1 |
| High/low | 2404/2403.5 | 2425/2408 |
| AM Official | 2403.5-4 | 2409-10 |
| Kerb close | | 2421-2 |
| Open int. | 224,217 | |
| Total daily turnover | 47,926 | |

■ LME AM Official £/$ rate: 1.5375
LME Closing £/$ rate: -

Spot:1.5395 3 mths:1.5372 6 mths:1.5351 9 mths:1.5319

■ HIGH GRADE COPPER (COMEX)

| | Close | Day's change | High | low | Open int | Vol |
|---|---|---|---|---|---|---|
| Aug | 109.75 | +1.05 | 109.75 | 109.75 | 385 | 190 |
| Sep | 109.85 | +0.90 | 110.10 | 108.20 | 23,718 | 6,202 |
| Oct | 109.80 | +0.70 | 110.00 | 108.40 | 741 | 1 |
| Nov | 109.95 | +0.60 | - | - | 601 | 42 |
| Dec | 110.05 | +0.60 | 110.25 | 108.65 | 13,805 | 2,423 |
| Jan | 109.85 | +0.60 | - | - | 325 | 22 |
| Total | | | | | 46,269 | 9,112 |

## PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

| Gold (Troy oz.) | $ price | £ equiv. |
|---|---|---|
| Close | 377.00-377.40 | |
| Opening | 377.20-377.60 | |
| Morning fix | 378.70 | 245.088 |
| Afternoon fix | 377.60 | 246.347 |
| Day's High | 379.00-379.40 | |
| Day's Low | 376.20-376.60 | |
| Previous close | 378.20-378.60 | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ..........3.97 6 months ..........4.48
2 months ..........4.07 12 months ..........4.89
3 months ..........4.17

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 332.60 | 511.50 |
| 3 months | 336.85 | 517.20 |
| 6 months | 341.55 | 523.65 |
| 1 year | 353.25 | 539.00 |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 382-385 | 249-252 |
| Maple Leaf | 387.95-390.40 | - |
| New Sovereign | 88-91 | 57-60 |

## Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Open int | Vol. |
|---|---|---|---|---|---|---|
| Aug | 378.7 | +1.5 | 378.8 | 376.2 | 3,521 | 3,326 |
| Sep | 379.5 | +1.4 | 378.0 | 378.0 | - | - |
| Oct | 381.0 | +1.4 | 381.7 | 378.5 | 10,217 | 701 |
| Dec | 384.0 | +1.4 | 384.7 | 381.4 | 91,868 | 13,173 |
| Feb | 387.4 | +1.4 | 388.0 | 386.0 | 11,454 | 129 |
| Apr | 390.8 | +1.5 | - | - | 6,341 | 42 |
| Total | | | | | 157,349 | 18,107 |

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

| | | | | | | |
|---|---|---|---|---|---|---|
| Oct | 416.7 | +1.6 | 417.8 | 412.0 | 18,617 | 2,429 |
| Jan | 419.6 | +1.7 | 420.0 | 415.0 | 3,368 | 178 |
| Apr | 422.2 | +1.7 | 422.5 | 419.5 | 1,865 | 20 |
| Jul | 425.2 | +1.7 | - | - | 401 | - |
| Oct | 427.7 | +1.7 | - | - | 103 | - |
| Total | | | | | 24,354 | 2,627 |

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 155.05 | +0.95 | 155.25 | 153.00 | 4,392 | 473 |
| Dec | 155.00 | +1.00 | 155.25 | 153.00 | 1,935 | 370 |
| Mar | 154.50 | +1.00 | 154.25 | 153.50 | 232 | - |
| Total | | | | | 6,573 | 843 |

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

| | | | | | | |
|---|---|---|---|---|---|---|
| Aug | 519.4 | +5.8 | - | - | - | - |
| Sep | 520.3 | +5.8 | 520.5 | 510.0 | 72,034 | 3,748 |
| Dec | 527.4 | +5.9 | 528.0 | 518.0 | 30,103 | 1,118 |
| Jan | 529.7 | +5.9 | - | - | 34 | - |
| Mar | 535.1 | +5.9 | 535.0 | 526.0 | 6,809 | 8 |
| May | 540.4 | +5.9 | 538.0 | 538.0 | 3,838 | 5 |
| Total | | | | | 122,288 | 4,888 |

## ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Sep | 18.96 | - | 19.10 | 18.87 | 72,273 | 66,062 |
| Oct | 18.86 | +0.01 | 18.95 | 18.78 | 69,130 | 43,301 |
| Nov | 18.69 | -0.04 | 18.82 | 18.66 | 35,972 | 13,700 |
| Dec | 18.65 | - | 18.65 | 18.55 | 46,453 | 8,074 |
| Jan | 18.50 | - | 18.54 | 18.45 | 24,865 | 2,958 |
| Feb | 18.40 | - | 18.44 | 18.40 | 15,671 | 1,496 |
| Total | | | | | 401,029 | 140,423 |

■ CRUDE OIL IPE ($/barrel)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Sep | 17.70 | +0.03 | 17.82 | 17.60 | 63,560 | 26,700 |
| Oct | 17.53 | -0.02 | 17.67 | 17.50 | 56,797 | 21,872 |
| Nov | 17.42 | -0.08 | 17.55 | 17.41 | 15,577 | 4,496 |
| Dec | 17.34 | -0.04 | 17.44 | 17.33 | 17,794 | 2,359 |
| Jan | 17.22 | -0.08 | 17.38 | 17.22 | 7,314 | 420 |
| Feb | 17.20 | -0.01 | 17.20 | 17.20 | 4,513 | 156 |
| Total | | | | | 175,850 | 58,990 |

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Sep | 50.40 | +0.26 | 50.60 | 49.85 | 31,317 | 11,929 |
| Oct | 51.35 | +0.25 | 51.50 | 50.85 | 20,357 | 5,402 |
| Nov | 52.35 | +0.20 | 52.50 | 52.05 | 13,262 | 2,042 |
| Dec | 53.35 | +0.20 | 53.50 | 53.00 | 29,618 | 5,832 |
| Jan | 54.00 | +0.20 | 54.35 | 53.70 | 16,714 | 1,697 |
| Feb | 54.35 | +0.30 | 54.35 | 54.35 | 6,042 | 1,031 |
| Total | | | | | 141,143 | 30,890 |

■ GAS OIL IPE ($/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Sep | 155.25 | -1.00 | 156.75 | 155.00 | 12,816 | 5,041 |
| Oct | 158.75 | -0.75 | 159.75 | 158.50 | 27,194 | 2,101 |
| Nov | 161.25 | -0.75 | 162.00 | 161.25 | 21,093 | 290 |
| Dec | 163.00 | -1.25 | 164.25 | 163.00 | 12,498 | 475 |
| Jan | 164.75 | -0.50 | 165.00 | 164.25 | 14,914 | 920 |
| Feb | 164.50 | -0.25 | 165.00 | 164.75 | 8,993 | 721 |
| Total | | | | | 107,793 | 13,025 |

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Sep | 1.698 | -0.068 | 1.765 | 1.685 | 22,228 | 13,795 |
| Oct | 1.825 | -0.051 | 1.870 | 1.815 | 19,958 | 6,221 |
| Nov | 2.025 | -0.036 | 2.055 | 2.015 | 11,723 | 2,590 |
| Dec | 2.190 | -0.028 | 2.200 | 2.185 | 18,529 | 2,556 |
| Jan | 2.200 | -0.026 | 2.210 | 2.195 | 11,733 | 866 |
| Feb | 2.140 | -0.016 | 2.145 | 2.135 | 7,430 | 1,957 |
| Total | | | | | 132,993 | 32,143 |

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Sep | 58.05 | -0.24 | 58.40 | 57.80 | 39,537 | 16,124 |
| Oct | 55.00 | -0.03 | 55.20 | 54.60 | 20,078 | 7,487 |
| Nov | 52.65 | -0.05 | 52.85 | 52.40 | 12,370 | 1,537 |
| Dec | 57.90 | -0.01 | 58.10 | 57.80 | 7,119 | 452 |
| Jan | 56.00 | - | - | - | 2,665 | 331 |
| Feb | 56.19 | - | - | - | 1,980 | 28 |
| Total | | | | | 83,739 | 25,957 |

## GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Sep | 105.25 | -0.60 | 105.50 | 105.35 | 361 | 45 |
| Nov | 108.05 | -0.40 | 108.15 | 105.75 | 2,285 | 128 |
| Jan | 107.95 | -0.30 | 108.00 | 107.60 | 1,728 | 170 |
| Mar | 109.60 | -0.30 | 109.60 | 109.40 | 704 | 71 |
| May | 111.50 | -0.15 | 111.50 | 111.25 | 962 | 30 |
| Jul | 113.50 | - | 113.50 | 113.50 | 148 | 10 |
| Total | | | | | 6,188 | 464 |

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 336/0 | +2/6 | 339/2 | 333/2 | 14,267 | 2,019 |
| Dec | 350/6 | +3/0 | 354/0 | 347/6 | 35,532 | 4,207 |
| Mar | 357/4 | +2/6 | 360/0 | 354/6 | 9,750 | 846 |
| May | 352/0 | +2/2 | 354/0 | 348/0 | 641 | 61 |
| Jul | 335/2 | +2/2 | 336/6 | 332/0 | 1,230 | 106 |
| Dec | 345/2 | +5/2 | - | - | 2 | - |
| Total | | | | | 61,422 | 7,289 |

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 219/0 | -0/2 | 220/6 | 218/2 | 35,363 | 8,107 |
| Dec | 223/4 | +0/2 | 224/6 | 222/2 | 123,095 | 12,018 |
| Mar | 232/6 | +0/2 | 233/6 | 231/2 | 25,655 | 1,872 |
| May | 239/0 | +0/2 | 240/2 | 238/0 | 10,953 | 358 |
| Jul | 243/4 | +0/2 | 244/4 | 242/2 | 9,465 | 502 |
| Sep | 244/6 | +0/2 | 245/4 | 244/2 | 663 | 5 |
| Total | | | | | 210,327 | 22,861 |

■ BARLEY LCE (£ per tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 104.50 | +0.50 | 104.00 | 104.00 | 142 | 5 |
| Nov | 105.50 | +0.55 | 105.50 | 105.00 | 482 | 17 |
| Jan | 106.40 | - | 106.25 | 106.00 | 186 | 40 |
| Mar | 108.25 | - | - | - | 27 | - |
| May | 109.75 | - | - | - | 1 | - |
| Total | | | | | 838 | 62 |

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

| | | | | | | |
|---|---|---|---|---|---|---|
| Aug | 595/2 | +2/2 | 590/6 | 579/0 | 5,868 | 1,170 |
| Sep | 571/4 | +2/4 | 576/6 | 565/0 | 14,835 | 2,787 |
| Nov | 563/6 | +0/6 | 570/0 | 558/0 | 73,892 | 12,026 |
| Jan | 572/2 | +0/6 | 578/0 | 566/4 | 12,016 | 1,318 |
| Mar | 581/4 | +0/6 | 586/0 | 576/6 | 4,266 | 746 |
| May | 588/2 | +0/2 | 592/4 | 584/0 | 3,105 | 218 |
| Total | | | | | 122,058 | 18,775 |

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

| | | | | | | |
|---|---|---|---|---|---|---|
| Aug | 24.52 | +0.30 | 24.65 | 23.94 | 3,287 | 1,145 |
| Sep | 24.44 | +0.31 | 24.61 | 23.80 | 20,036 | 4,060 |
| Oct | 24.37 | +0.36 | 24.51 | 23.75 | 15,718 | 2,210 |
| Dec | 24.18 | +0.29 | 24.35 | 23.61 | 33,450 | 6,029 |
| Jan | 24.20 | +0.31 | 24.30 | 23.70 | 4,535 | 411 |
| Mar | 24.19 | +0.30 | 24.30 | 23.70 | 4,942 | 436 |
| Total | | | | | 87,979 | 14,892 |

■ SOYABEAN MEAL CBT (100 tons; $/ton)

| | | | | | | |
|---|---|---|---|---|---|---|
| Aug | 172.9 | -0.7 | 174.0 | 172.6 | 4,733 | 2,007 |
| Sep | 171.9 | -0.3 | 172.9 | 171.7 | 19,173 | 3,863 |
| Oct | 170.9 | -0.9 | 172.5 | 170.8 | 10,840 | 1,421 |
| Dec | 171.5 | -0.6 | 173.1 | 171.3 | 31,798 | 3,081 |
| Jan | 172.2 | -0.8 | 173.8 | 172.0 | 4,700 | 186 |
| Mar | 173.9 | -1.1 | 175.5 | 173.8 | 5,418 | 265 |
| Total | | | | | 82,152 | 11,060 |

■ POTATOES LCE (£/tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| Nov | 150.0 | - | - | - | - | - |
| Mar | 165.0 | - | - | - | - | - |
| Apr | 199.5 | +8.2 | 200.0 | 190.0 | 1,186 | 154 |
| May | 235.0 | - | - | - | - | - |
| Jun | 107.5 | - | - | - | - | - |
| Total | | | | | 1,186 | 154 |

■ FREIGHT (BIFFEX) LCE ($10/index point)

| | | | | | | |
|---|---|---|---|---|---|---|
| Aug | 1503 | +3 | 1505 | 1500 | 641 | 20 |
| Sep | 1465 | - | 1470 | 1464 | 538 | 86 |
| Oct | 1467 | -3 | 1466 | 1465 | 847 | 10 |
| Jan | 1478 | -6 | 1485 | 1480 | 358 | 13 |
| Apr | 1503 | +1 | - | - | 102 | - |
| Jul | 1342 | -11 | - | - | 60 | - |
| Total | | | | | 2,366 | 129 |

| | Close | Prev |
|---|---|---|
| BFI | 1488 | 1492 |

**Wool**
Prices strengthened again this week. Most increases were small but finer merinos rose more sharply in price, as did merino cardings. Both categories have been selling well from the Australian stockpile recently, and finer merino fleece supplies are expected to remain under pressure this season. Crossbred wool also met with good demand at auctions in Australia and New Zealand this week, with China buying actively. The current trade view is that China could need supplies for urgent shipment and is tightly stocked. Strength in the Australian dollar has helped to push up calculations of imported wool costs. This does not apply to wool sold by the British Wool Marketing Board but prices have tended higher in this sector also, in anticipation of a dearer auction next week and with some business in support.

## SOFTS

■ COCOA LCE (£/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Sep | 1034 | - | 1037 | 1026 | 15,484 | 692 |
| Dec | 1055 | +1 | 1058 | 1047 | 29,008 | 554 |
| Mar | 1076 | +1 | 1079 | 1068 | 29,845 | 658 |
| May | 1086 | -1 | 1088 | 1087 | 10,478 | 120 |
| Jul | 1095 | - | 1098 | 1093 | 4,268 | 146 |
| Sep | 1104 | - | 1107 | 1098 | 8,461 | 331 |
| Total | | | | | 104,851 | 2,748 |

■ COCOA CSCE (10 tonnes; $/tonnes)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 1407 | +24 | 1414 | 1369 | 18,007 | 5,272 |
| Dec | 1459 | +25 | 1463 | 1421 | 29,520 | 6,157 |
| Mar | 1490 | +20 | 1493 | 1458 | 8,978 | 884 |
| May | 1510 | +20 | 1508 | 1508 | 3,147 | 88 |
| Jul | 1530 | +20 | 1503 | 1503 | 2,385 | 3 |
| Sep | 1550 | +20 | - | - | 1,237 | 3 |
| Total | | | | | 68,064 | 12,410 |

■ COCOA (ICCO) (SDR's/tonne)

| August 10 | Price | Prev. day |
|---|---|---|
| Daily | 1053.90 | 1030.86 |

■ COFFEE LCE ($/tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 3253 | -61 | 3250 | 3155 | 13,353 | - |
| Nov | 3208 | -75 | 3200 | 3110 | 10,140 | 2,842 |
| Jan | 3165 | -87 | 3170 | 3081 | 10,039 | 901 |
| Mar | 3135 | -103 | 3125 | 3070 | 4,034 | 260 |
| May | 3118 | -102 | 3105 | 3080 | 1,042 | 16 |
| Jul | 3080 | -130 | - | - | 28 | - |
| Total | | | | | 38,636 | 4,019 |

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 184.85 | +7.40 | 185.50 | 173.75 | 9,833 | 3,811 |
| Dec | 188.25 | +6.55 | 188.75 | 177.75 | 16,338 | 4,854 |
| Mar | 190.80 | +4.90 | 191.00 | 181.00 | 5,708 | 1,386 |
| May | 191.50 | +4.50 | 189.00 | 183.50 | 1,689 | 387 |
| Jul | 192.50 | +4.50 | 187.00 | 184.50 | 374 | 62 |
| Sep | 193.50 | +1.75 | 188.00 | 185.50 | 86 | 306 |
| Total | | | | | 34,370 | 11,042 |

■ COFFEE (ICO) (US cents/pound)

| August 10 | Price | Prev. day |
|---|---|---|
| Comp. daily | 169.35 | 169.04 |
| 15 day average | 165.39 | 166.96 |

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Oct | 12.08 | -0.15 | - | - | 1,801 | - |
| Jan | 11.82 | - | - | - | - | - |
| Mar | 11.95 | -0.10 | - | - | 90 | - |
| Total | | | | | 1,891 | - |

■ WHITE SUGAR LCE ($/tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| Oct | 317.50 | -0.20 | 319.50 | 317.30 | 10,741 | 704 |
| Dec | 314.70 | +0.60 | 315.80 | 313.60 | 1,268 | 88 |
| Mar | 315.30 | +0.70 | 316.00 | 314.30 | 4,687 | 270 |
| May | 315.00 | +0.80 | - | - | 426 | - |
| Aug | 316.30 | +1.00 | - | - | 391 | - |
| Oct | 302.80 | +0.80 | - | - | 186 | - |
| Total | | | | | 17,699 | 1,062 |

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Oct | 11.82 | -0.09 | 12.05 | 11.78 | 81,211 | 4,379 |
| Mar | 11.80 | -0.08 | 11.93 | 11.78 | 37,141 | 2,218 |
| May | 11.76 | -0.08 | 11.86 | 11.75 | 9,194 | 352 |
| Jul | 11.68 | -0.06 | 11.72 | 11.68 | 3,233 | 283 |
| Oct | 11.50 | -0.03 | 11.53 | 11.45 | 1,490 | 216 |
| Mar | 11.22 | -0.03 | - | - | 209 | - |
| Total | | | | | 112,463 | 7,448 |

■ COTTON NYCE (50,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Aug | 68.39 | -0.53 | - | - | - | - |
| Oct | 71.27 | +0.12 | 71.95 | 71.25 | 5,840 | 4 |
| Dec | 70.55 | +0.33 | 71.00 | 70.30 | 26,676 | 16 |
| Mar | 71.85 | +0.23 | 72.30 | 71.70 | 7,253 | 512 |
| May | 72.60 | +0.10 | 73.00 | 72.53 | 4,384 | 289 |
| Jul | 73.30 | +0.03 | 73.55 | 73.20 | 2,799 | 74 |
| Total | | | | | 48,457 | 5,347 |

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 92.65 | -0.85 | 94.35 | 92.60 | 10,445 | 1,957 |
| Nov | 95.90 | -0.90 | 97.65 | 95.70 | 3,582 | 781 |
| Jan | 99.85 | -0.70 | 101.50 | 99.80 | 3,968 | 677 |
| Mar | 103.50 | -0.80 | 104.50 | 103.50 | 2,513 | 103 |
| May | 107.00 | -0.80 | 108.00 | 108.00 | 838 | 2 |
| Jul | 109.00 | -0.80 | 109.50 | 108.90 | 232 | 2 |
| Total | | | | | 21,863 | 3,522 |

**VOLUME DATA**
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

## INDICES

■ REUTERS (Base: 18/9/31=100)

| Aug 11 | Aug 10 | month ago | year ago |
|---|---|---|---|
| 2065.4 | 2068.2 | 2132.4 | 1629.9 |

■ CRB Futures (Base: 4/9/56=100)

| Aug 10 | Aug 9 | month ago | year ago |
|---|---|---|---|
| 231.21 | 231.52 | 231.80 | 214.73 |

## MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Aug | 70.375 | -0.275 | 70.850 | 70.250 | 8,455 | 2,748 |
| Oct | 73.125 | -0.025 | 73.400 | 72.850 | 30,903 | 4,652 |
| Dec | 71.450 | +0.050 | 71.600 | 71.275 | 13,876 | 1,247 |
| Feb | 70.275 | -0.125 | 70.475 | 70.225 | 9,825 | 584 |
| Apr | 71.525 | -0.375 | 72.000 | 71.500 | 5,952 | 406 |
| Jun | 68.675 | -0.275 | 69.000 | 68.600 | 1,368 | 23 |
| Total | | | | | 70,582 | 9,640 |

■ LIVE HOGS CME (40,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Aug | 45.875 | +0.300 | 46.000 | 45.650 | 1,976 | 1,254 |
| Oct | 41.450 | +0.100 | 41.750 | 41.350 | 12,173 | 2,351 |
| Dec | 41.525 | -0.025 | 41.750 | 41.450 | 6,210 | 796 |
| Feb | 41.350 | +0.100 | 41.550 | 41.150 | 1,905 | 158 |
| Apr | 40.300 | +0.025 | 40.450 | 40.200 | 1,236 | 92 |
| Jun | 45.000 | -0.050 | 45.000 | 44.900 | 461 | 21 |
| Total | | | | | 24,129 | 4,684 |

■ PORK BELLIES CME (40,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Aug | 32.900 | -0.575 | 33.800 | 32.000 | 867 | 322 |
| Feb | 45.800 | -1.300 | 46.800 | 45.150 | 6,426 | 1,650 |
| Mar | 45.525 | -1.250 | 46.200 | 45.050 | 375 | 104 |
| May | 46.550 | -0.200 | 46.800 | 46.250 | 42 | 3 |
| Jul | 47.200 | -1.200 | 47.200 | 47.000 | 75 | 9 |
| Aug | 46.550 | -0.450 | - | 46.550 | 14 | 2 |
| Total | | | | | 7,799 | 2,085 |

## LONDON TRADED OPTIONS

| Strike price $ tonne | Calls | | Puts | |
|---|---|---|---|---|
| ■ ALUMINIUM (99.7%) LME | Sep | Dec | Sep | Dec |
| 1425 | 63 | 110 | 11 | 33 |
| 1450 | 46 | 94 | 19 | 42 |
| 1475 | 32 | 80 | 30 | 53 |
| ■ COPPER (Grade A) LME | Sep | Dec | Sep | Dec |
| 2350 | 101 | 135 | 22 | 70 |
| 2400 | 69 | 108 | 40 | 93 |
| 2450 | 44 | 86 | 65 | 119 |
| ■ COFFEE LCE | Sep | Nov | Sep | Nov |
| 3250 | 98 | 288 | 95 | 330 |
| 3300 | 77 | 270 | 124 | 362 |
| 3350 | 59 | 253 | 156 | 395 |
| ■ COCOA LCE | Sep | Dec | Sep | Dec |
| 975 | 61 | 118 | 2 | 38 |
| 1000 | 40 | 103 | 6 | 48 |
| 1050 | 12 | 77 | 28 | 72 |
| ■ BRENT CRUDE IPE | Sep | Oct | Sep | Oct |
| 1700 | 79 | 95 | - | 37 |
| 1750 | 31 | - | 3 | 56 |
| 1800 | 3 | 46 | - | 80 |

## LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Sep)

| | | +or- |
|---|---|---|
| Dubai | $16.26-6.37w | -0.055 |
| Brent Blend (dated) | $17.35-7.40 | +0.025 |
| Brent Blend (Sep) | $17.63-7.68 | +0.025 |
| W.T.I. (1pm est) | $18.90-8.92w | -0.050 |

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

| | | |
|---|---|---|
| Premium Gasoline | $214-215 | |
| Gas Oil | $156-157 | |
| Heavy Fuel Oil | $85-87 | -2.0 |
| Naphtha | $164-166 | -1.0 |
| Jet fuel | $170-171 | -1.5 |

*Petroleum Argus assessments*

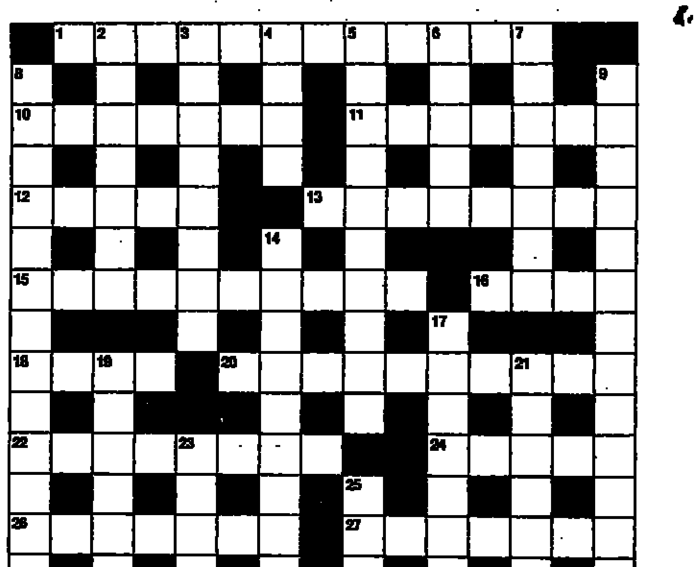
■ OTHER

| | | |
|---|---|---|
| Gold (per troy oz)♣ | $377.20 | -1.20 |
| Silver (per troy oz)♣ | 515.50c | |
| Platinum (per troy oz.) | $409.75 | -2.25 |
| Palladium (per troy oz.) | $151.00 | -1.00 |
| Copper (US prod.) | 113.0c | +1.0 |
| Lead (US prod.) | 37.75c | |
| Tin (Kuala Lumpur) | 13.34m | +0.02 |
| Tin (New York) | 242.5c | +3.0 |
| Cattle (live weight)†⊕ | 119.56p | +1.89* |
| Sheep (live weight)†♠⊕ | 91.94p | -3.04* |
| Pigs (live weight)⊕ | 74.35p | +7.21* |
| Lon. day sugar (raw) | $306.30 | +2.00 |
| Lon. day sugar (wte) | $344.50 | +0.50 |
| Tate & Lyle export | £312.0 | +2.00 |
| Barley (Eng. feed) | £106.0 | |
| Maize (US No3 Yellow) | £142.5 | |
| Wheat (US Dark North) | £180.0 | |
| Rubber (Sep)♥ | 87.0p | |
| Rubber (Oct)♥ | 88.0p | |
| Rubber KL RSS No1 Aug | 323.0m | +4.0 |
| Coconut Oil (Phil)§ | $620.0z | -15.0 |
| Palm Oil (Malay.)§ | $565.0w | -15.0 |
| Copra (Phil)§ | $397.0 | |
| Soyabeans (US) | £174.0t | |
| Cotton Outlook 'A' index | 78.05c | -0.10 |
| Wooltops (64s Super) | 442p | +2 |

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Oct. z Aug/Sep. w Sep. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week. ⊕ Prices are for previous day.

## CROSSWORD

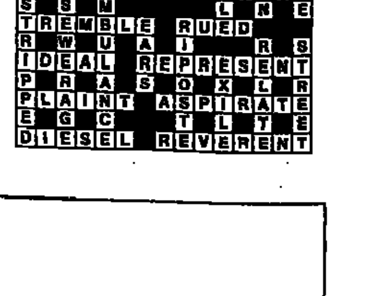
No.8,530 Set by GRIFFIN



ACROSS
1 Leave ICI heads to get shares (12)
10 Moose, in cooking, is noxious (7)
11 Can rake round groove (7)
12 Requires nurse to come back without journalist (5)
13 Except to prevent one getting cold it's brutal (8)
15 Threatened with incense stopped outside! (10)
16 Very big coppers once in scraps (4)
18 Ready with rent last time (4)
20 Said choose a flower and something pickled (10)
22 Stick out port, turning unpleasant (8)
24 Provided information around four (5)
26 He raises point with vicar (7)
27 Withdraws soldiers' flags (7)
28 This bold Tory could become murderous (12)

DOWN
2 I look inside and find flavouring (7)
3 A number of us, hot and bothered (8)
4 Gang suggests a famous junction (4)
5 Stability of royal person who is into coins (10)
6 Finger trapped by man with umbrella (5)
7 Roused the prison revolutionary (7)
8 Loose nitre turned up non-stop (13)
9 A striking musician? (13)
14 Baffled last time gets more angry in bed (10)
17 Fellow born on flat-bottomed boat (8)
19 Saying lead's required to hold dog (7)
21 Always hired out a young animal (7)
23 I ring deserter before forming relationship (5)
25 Married less than a month – that's cunning! (4)

Solution 8,529




JOTTER PAD

# LONDON STOCK EXCHANGE

**MARKET REPORT**

# Interest rate moves in Europe hit share prices

By Terry Byland,
UK Stock Market Editor

Confidence in the UK equity market was badly shaken yesterday by the moves to higher interest rates in Sweden and Italy, which prompted savage falls in British government bonds. Not even strong gains in regional electrical stocks (recs) could save the FT-SE 100 Index from a fall of 28.8 points to 3,138.2; traders feared that the 3,100 mark could be at hazard this morning if the US bond auction disappoints.

Although the ½ percentage point rate rises in Sweden and Italy appeared to reflect obvious domestic factors, the reaction across bond and equity markets served to indicate the depth of concern that the interest rate cycle may be on the turn in Europe.

The stock market opened higher but this owed much to substantial gains among the recs following what was seen as a price review highly favourable to the companies from the official regulator. Heavy turnover in the recs lifted the Seaq figure well above recent averages for the first hour of trading.

But it was clear that the rest of the market was by no means as confident, and that worries over the near term outlook for interest rates continued to plague investors in the UK market.

The market had already begun to cool off when the news that Sweden's Riksbank had raised its key rates in order to resist inflationary pressures sent bonds and shares sharply downwards. Increased selling was seen and the investment mood turned distinctly sour. Some hurried selling was seen from fund managers who had not already reduced portfolios of stocks influenced by interest rates.

By midsession, nervousness ahead of publication of US data on retail sales and producer prices had increased the market's uncertainty and the Footsie was 34.2 down at 3,132.8. But the US data turned out to be relatively benign, with a rise of 0.5 per cent in the June PPI only just above expectations and, with Wall Street steady at the opening, London markets managed a modest rally.

Optimism was quickly extinguished by the rise in Italian interest rates, which was followed by a renewed slide in UK bonds that quickly turned share prices off again. Although the market closed above its lows for the day, traders believed that "the Footsie was only saved by the bell". The Dow Average was down 16 points soon after London closed.

Feverish dealing in the final half-hour saw heavy selling of calls on the Footsie option and few traders were prepared to be optimistic ahead of the opening of the market this morning.

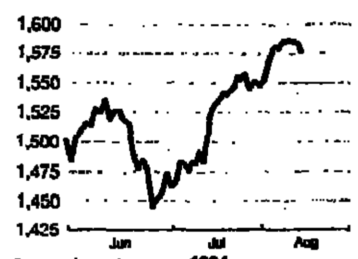
The pressure fell entirely on the blue chip stocks which were the most directly linked to stock index futures and to hurried selling by the institutions. The FT-SE Mid 250 Index, helped by a strong contingent of recs stocks, climbed 9.7 to 3,726.9. Some traders have identified significant US demand in the recs sector.

Trading volume, boosted by the recs activity and also by trading statements from Shell Transport, BOC and Royal Insurance, rose by 17 per cent from the previous day to 694.4m shares, with non-Footsie business making up around 60 per cent. On Wednesday, retail business was worth £1.36bn.

After the close of trading, market strategists tried to make the best of a painful day. Several argued that yesterday's developments implied no pressure on interest rates in Germany or other leading European countries. The Bundesbank is likely to continue focusing on domestic factors, including domestic money supply, and any rise in German rates is still a long way off.

But there was no avoiding the jolt delivered to confidence in UK equities, even among those analysts who have been predicting that base rates could rise before the end of next month.

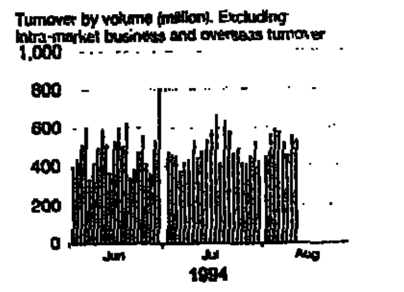
### FT-SE-A All-Share Index




Source. FT Graphite

### Equity Shares Traded

Turnover by volume (million). Excluding intra-market business and overseas turnover




### ■ Key Indicators

**Indices and ratios**

| | | | | | |
|---|---|---|---|---|---|
| FT-SE 100 | 3138.2 | -28.8 | FT Ordinary Index | 2460.5 | -17.7 |
| FT-SE Mid 250 | 3726.6 | +9.7 | FT-SE-A Non Fins p/e | 19.86 | (19.95) |
| FT-SE-A 350 | 1587.9 | -10.2 | FT-SE 100 Fut Sep | 3146.0 | -28.0 |
| FT-SE-A All-Share | 1576.04 | -9.24 | 10 yr Gilt yield | 8.80 | (8.55) |
| FT-SE-A All-Share yield | 3.78 | (3.76) | Long gilt/equity yld ratio: | 2.32 | (2.27) |

**Best performing sectors**

1 Electricity ............ +9.1
2 Other Services & Bsns ............ +2.5
3 Gas Distribution ............ +1.4
4 Utilities ............ +0.4
5 FT-SE Mid 250 ex IT ............ +0.3

**Worst performing sectors**

1 Chemicals ............ -1.9
2 Banks ............ -1.8
3 Telecommunications ............ -1.5
4 Building Materials ............ -1.4
5 Oil, Integrated ............ -1.1

# Recs applaud review

Confirmation of recent rumours that the electricity distribution review would be much less severe than the market feared produced a surge of buying across the sector. The regional electricity companies (Recs) outperformed the wider market by 6 per cent.

Adding to the general euphoria was a feeling that the companies themselves may embark on a share buy-back spree. Another story boosting sentiment was that a potential stakebuilder in Eastern Electricity had moved into the market shortly before the close on Wednesday, buying nearly 3 per cent of the company in a single deal.

A leading analyst at one of the top integrated trading houses in London said the review was "much better than expected from the market's point of view", and could lead to a short term upturn in share prices of as much as 10 per cent. He added that all the companies had received shareholder permission to buy back their own shares.

There was a minor ripple of unease around the market, however, following the emergence of rumours that an investigation had been instigated by the Stock Exchange into possible insider trading by directors of some of the recs.

London Electricity was the sector's best performer, leaping 61 to 645p, closely followed by South West, up 52 at 714p, and Southern, 51 higher at 714p.

There was widespread speculation that the buyer of a block of 7.7m Eastern Electricity at 704¼p on Wednesday could have been a potential stakebuilder. Goldman Sachs, the US investment bank, was said to have bought the stock for a client. The deal produced an overnight gain of more than £2.3m for the purchaser. Around the same time on Wednesday an institution bought a block of 1.7m shares in Midland Electricity at 701¾p. Midland closed 32½ ahead at 730¼p.

## Shell doubts

Interim results from Shell Transport proved a substantial disappointment to the market, with dealers focusing on worse than expected figures from the company's exploration and production division which were only partly offset by good numbers from the chemicals and downstream operations.

"The market obviously got too carried away thinking that Shell's performance would match that of BP announced at the start of the month," said one specialist.

Strauss Turnbull, on the other hand, adopted a more positive view, increasing its year-end forecast of replacement pre-profits to £4.6bn and raising its dividend forecast to a top of the range 26.6p "The market will be pleasantly surprised by the dividend, which will be boosted because of the weakness of sterling against the Dutch guilder," said Mr John Toalster, oil analyst at Strauss.

## BOC hard hit

It was unfortunate for specialist gases business BOC that it announced third-quarter figures on a day that interest rate concerns dominated the market. The misfortune was compounded by the absence of a finance director at the meeting with analysts and the net result was a slide of 31 to 714p in the share price.

In fact, the underlying figures were less grim than the stock performance suggested. There was concern over increased competition to Forane, the anaesthetic gas, following expiry of the patent, and worries over the fall in gas margins.

But Mr Jeremy Chantry of Kleinwort Benson who recently advised investors to take profits in the stock argued that gas demand was high and margins were merely affected by a shift of business to the US, where competition was historically greater. Although he trimmed back his full-year forecast by £10m to £350m, he suggested that at current levels the shares were beginning to see yield support.

Composite insurer Royal Insurance was the best performer in the FT-SE 100 Index, outside of the utilities, as the market gave a positive response to much higher than expected interim results. The shares settled 6 firmer at 265p.

Royal's profits, at £191m, were around 25 per cent ahead of the most optimistic expectations, while the 4p dividend was a penny higher than the general consensus.

Mr Andrew Pitt at BZW, the investment bank, described the results as "outstanding" and the strength of UK profitability as "quite staggering". BZW hoisted its current-year forecast by £60m to £400m and that for 1995 by £45m to £440m. The investment bank increased its dividend projections for Royal to 12p for 1994 and 15p for 1995.

Mr Pitt said the valuation case for buying Royal was "overwhelming", especially since the shares are trading at a 14 per cent discount to the current net asset value of 308p a share.

Chemist group Boots underperformed the market after securities house Hoare Govett put out a critical piece of research on the extent of the group's retail potential.

Hoare poured some cold water on the argument that the trend towards over the counter medicines would boost profits. It argued that if price controls were relaxed, the chemist's profit margins could be eroded. It added that as the trend for self-medication continues, more competitors may want to grab a slice of the OTC market. Boots slid 9 to 525p.

Turnover in Storehouse jumped to 12.1m and the stock eased 2 to 222p, after Smith New Court bought 6m shares and placed most of the stock with institutions.

Grand Metropolitan was a busy market as two brokers recommended the stock. The shares rose 5 to 429p in heavy volume of 7.8m as Robert Fleming suggested that investors switch out of Allied-Lyons and into GrandMet.

Allied gave up 6 at 587p.

Northern Foods firmed 7 to 223p, with Smith New Court, the group's broker, said to have shown a keen interest in the shares.

Nervous trading in Unilever ahead of today's figures left the stock 15 lower at 1041p. The range of forecasts is between £530m and £600m. Talk that it will buy Eastman Kodak's household products division continued to circulate.

Encouraging first-half figures from Reed International were insufficient to prevent a dramatic turnround in the share price. The stock opened 11 higher as the international publisher revealed profits up 12 per cent. But there was some concern over medical publishing sales which were 9 per cent below last year, and also the group's performance in the US. The shares fell 22 to 806p but mainly as a result of profit-taking.

**MARKET REPORTERS:**
Steve Thompson,
Peter John,
Joel Kibazo.

■ Other statistics, Page 16

## NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (46).
BUILDING & CNSTRN (2) Brandon Hire, Sheriff, CHEMICALS (3) Akzo, Allied Colloids, Wolstenholme Rink, DISTRIBUTORS (2) Boxmoor, Faber Prest, DIVERSIFIED INDLS (1) BH Prop., ELECTRICITY (1) Eastern, ELECTRNC & ELECT EQUP (2) Philips, Tadpole Technology, ENGINEERING (2) Castings, UMECO, ENG, VEHICLES (2) First Technology, Trinity, EXTRACTIVE INDS (3) FOOD MANUF (2) Matthews, Wilkinson, INVESTMENT TRUSTS (1) INVESTMENT COMPANIES (3) LEISURE & HOTELS (1) Chrysalis, MEDIA (2) Dorling Kindersley, Metal Bulletin, OIL EXPLORATION & PROD (1) Crossroads Oil, OTHER SERVS & BUSNS (4) PHARMACEUTICALS (1) Brit Biotech Wrts., PRTNG, PAPER & PACKG (1) Elswick, RETAILERS, FOOD (1) Greggs, RETAILERS, GENERAL (1) French Connection, SUPPORT SERVS (4) Division Group, Manpower Inc., Reed Executive, Rolfe & Nolan, TEXTILES & APPAREL (1) Bullers, TRANSPORT (1) Applied Distribution, AMERICANS (2) CANADIANS (1).
NEW LOWS (34).
GILTS (4) BREWERIES (1) Fuller S.T.A., BUILDING & CNSTRN (1) Eve, BLDG MATLS & MCHTS (2) Albrighton, Explaura, CHEMICALS (2) Camentone, Do Warrants, DISTRIBUTORS (4) Appleyard, Azlan, Kwik-Fit, Pendragon, ENGINEERING (1) Neotronics Technology, EXTRACTIVE INDS (1) World Fluids, HOUSEHOLD GOODS (1) Le Creuset, INVESTMENT TRUSTS (1) TR Property, LEISURE & HOTELS (1) Quadrant, OTHER FINANCIAL (2) Finans'bst Gellon, Union, OTHER SERVS & BUSNS (1) Brit. Bloodstock, PHARMACEUTICALS (1) Chiroscience, PRTNG, PAPER & PACKG (2) Bdt. Thornton, Ferguson Int'L, PROPERTY (4) Development Secs., Hemmingway Props. 7¼pc 2027, Raglan Properties, Southend Prop. 8pc Cv 2020, RETAILERS, GENERAL (1) Upton & Southern, SUPPORT SERVS (1) Johnson Cleaners, TEXTILES & APPAREL (2) Albion, Richards, TRANSPORT (1) Eurotunnel Wts. 1993.

## EQUITY FUTURES AND OPTIONS TRADING

Derivatives reacted sharply to the setback in European bonds following the release of German consumer data and the unexpected rise in Swedish interest rates. The increase in Italian interest rates came too late to impact on formal trading, writes Joel Kibazo.

In futures, the September contract on the FT-SE 100 opened at 3,181. But for a brief move forward to 3,188 in the first half-hour of trading, the contract was in decline througout the day, with the lifting of interest rates in Sweden being the initial trigger to the selling.

The mid-morning release of German consumer data unsettled bunds, leading to a further decline, but it was the selling of around 1,000 lots by US broker Refco Overseas which led to a sharp retreat in the contract over lunch.

With Wall Street also dull, there was little to encourage a rally and September settled at 3,146, down 28 from its previous close and 8 points below its fair value premium to cash of 10 points. Volume improved to 18,919 lots.

The announcement on Italian rates came towards the official close of trading, and dealers were left to react in after-hours trading. September fell 19 points to 3,146, signalling a poor session today.

Turnover in traded options was 45,369 lots, of which 13,351 were in the FT-SE 100 option and 14,388 in the Euro FT-SE.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 3181.0 | 3146.0 | -28.0 | 3188.0 | 3121.0 | 19459 | 56386 |
| Dec | 3183.5 | 3159.5 | -28.0 | 3198.0 | 3148.5 | 174 | 4020 |
| Mar | | 3179.5 | -28.0 | | | 0 | 0 |

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Sep | 3713.0 | 3730.0 | -3.0 | 3730.0 | 3713.0 | 75 | 4460 |

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Sep | | 3,731.0 | | | | | 638 |

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3144) £10 per full index point

| | 2950 C | 2950 P | 3000 C | 3000 P | 3050 C | 3050 P | 3100 C | 3100 P | 3150 C | 3150 P | 3200 C | 3200 P | 3250 C | 3250 P | 3300 C | 3300 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Aug | 194½ | 1½ | 144½ | 2 | 96½ | 5 | 53½ | 14 | 22 | 34½ | 7 | 69½ | 2 | 118½ | 1 | 168½ |
| Sep | 207½ | 12½ | 165½ | 20½ | 126 | 31½ | 92½ | 46 | 62 | 67 | 39½ | 95 | 23 | 130 | 12 | 171½ |
| Oct | 220½ | 29½ | 182 | 41 | 146 | 54½ | 115 | 73 | 86½ | 94½ | 65 | 122½ | 45½ | 153½ | 32½ | 190½ |
| Nov | 249 | 41 | 203½ | 54½ | 167 | 68 | 137½ | 88 | 108½ | 109 | 86 | 135½ | 65 | 165 | 48½ | 199½ |
| Dec† | | | 219½ | 64½ | | | 156½ | 99½ | | | 104 | 149 | | | 84 | 210 |

Calls 5,581 Puts 7,958

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

| | 2975 | | 3025 | | 3075 | | 3125 | | 3175 | | 3225 | | 3275 | | 3325 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Aug | 194½ | 2 | 116 | 4 | 79½ | 9 | 33 | 22 | 12 | 49½ | 3½ | 89½ | 1 | 138 | 1 | 188 |
| Sep | 187½ | 17½ | 146 | 25½ | 108½ | 38 | 76 | 55 | 49½ | 78½ | 29½ | 108 | 15½ | 144 | 7½ | 185½ |
| Oct | | | 163½ | 46 | | | 101 | 82 | | | 55½ | 135½ | | | 27½ | 206½ |
| Dec | | | 208 | 68 | | | 139½ | 105½ | | | 91½ | 156 | | | 57 | 219½ |
| Mar† | | | 245 | 95 | | | 186 | 133½ | | | 137½ | 181½ | | | 98½ | 239½ |

Calls 11,283 Puts 2,466 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

| | 3450 | 3500 | 3550 | 3600 | 3650 | 3700 | | 3750 | | 3800 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Jul | | | | | | 58 | 25.3 | 31.8 | 48.8 | 15 | 82 |

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

## TRADING VOLUME

■ **Major Stocks Yesterday**

| | Vol. 000s | Closing price | Day's change |
|---|---|---|---|
| ASDA Group† | 6,200 | 62 | +1 |
| Abbey National† | 3,600 | 394 | -9 |
| Albert Fisher | 16,000 | 52 | +2 |
| Allied-Lyons† | 2,000 | 587 | -6 |
| Anglian Water | 681 | 532 | -6 |
| Argos | 157 | 370 | -1 |
| Argyll Group† | 5,200 | 278 | -1 |
| Arjo Wiggins† | 249 | 265 | -5 |
| Assoc. Brit. Foods† | 135 | 584 | +2 |
| Assoc. Brit. Ports | 575 | 261 | +1 |
| BAA† | 2,500 | 495 | |
| BAT Inds.† | 4,300 | 423 | -½ |
| BET | 2,300 | 117½ | -1 |
| BICC | 2,400 | 419 | +1 |
| BOC† | 1,800 | 714 | -31 |
| BP† | 9,300 | 408½ | -2½ |
| BPB Inds. | 810 | 329 | -6 |
| BT† | 3,800 | 378½ | -3½ |
| BT (PPaid) | 2,600 | 257 | -3½ |
| BTR† | 5,600 | 380 | -7 |
| Bank of Scotland† | 182 | 186 | |
| Barclays† | 4,600 | 548½ | -14½ |
| Bass† | 788 | 561 | -2 |
| Blue Circle† | 2,900 | 316 | -6 |
| Booker | 1,300 | 434 | +9 |
| Boots† | 4,100 | 525 | -9 |
| Bowater† | 430 | 469 | -9 |
| Brit. Aerospace† | 189 | 504 | -1 |
| British Airways† | 8,500 | 424½ | +½ |
| British Gas† | 12,000 | 286 | +4 |
| British Land | 444 | 420 | -1 |
| British Steel† | 3,400 | 162¼ | -2¼ |
| Bunzl | 1,800 | 168 | +7 |
| Burmah Castrol† | 286 | 873 | -1 |
| Burton | 4,700 | 59½ | -1 |
| Cable & Wire† | 3,400 | 436 | -13 |
| Cadbury Schweppes† | 1,200 | 462 | -6 |
| Calor Group | 224 | 260 | |
| Caradon† | 864 | 298 | -9 |
| Carlton Comms.† | 724 | 899 | -7 |
| Coats Viyella† | 2,500 | 222 | +2 |
| Comm. Union† | 1,800 | 586 | -2 |
| Cookson | 394 | 283 | +2 |
| Courtaulds† | 1,200 | 532 | -16 |
| Dalgety | 540 | 460 | +6 |
| De La Rue† | 216 | 941 | -11 |
| Dixons | 672 | 201 | +1 |
| Eastern Elect. | 4,400 | 739 | +30 |
| East Midland Elect. | 3,200 | 682 | +40 |
| Eng China Clays | 1,100 | 398 | -1 |
| Enterprise Oil† | 239 | 418 | -2 |
| Eurotunnel Units | 324 | 287 | -8 |
| FKI | 427 | 185 | -3 |
| Fisons | 1,500 | 146 | -2 |
| Foreign & Col. I.T. | 2,800 | 143 | +½ |

## LONDON EQUITIES

## LIFFE EQUITY OPTIONS

| Option | | Calls Oct | Calls Jan | Calls Apr | Puts Oct | Puts Jan | Puts Apr |
|---|---|---|---|---|---|---|---|
| Allied-Lyons | 540 | 61 | – | – | 5½ | – | – |
| (*588 ) | 580 | 28 | – | – | 22½ | – | – |
| Argyll | 260 | 28 | 35½ | 41 | 6½ | 13 | 16 |

| Option | | Calls Nov | Calls Feb | Calls May | Puts Nov | Puts Feb | Puts May |
|---|---|---|---|---|---|---|---|
| Hanson | 260 | 17 | 21½ | 25 | 10 | 14 | 18½ |
| (*267 ) | 280 | 7½ | 12 | 16½ | 22 | 26½ | 29½ |
| Lasmo | 154 | 13 | – | – | 11 | – | – |
| (*155 ) | 180 | 6½ | 8½ | 12 | 30½ | 31½ | 32½ |
| Lucas Inds | 200 | 17 | 22½ | 26 | 13 | 17 | 20½ |
| (*205 ) | 220 | 8 | 13½ | 17½ | 26½ | 29½ | 32½ |
| P. & O. | 650 | 57½ | 71 | 79½ | 22½ | 32 | 43½ |
| (*690 ) | 700 | 29½ | 45 | 54½ | 48½ | 58 | 69 |
| Pilkington | 180 | 21 | 24½ | 27½ | 5 | 10½ | 11½ |
| (*192 ) | 200 | 8½ | 13½ | 17 | 14½ | 21 | 22 |
| Prudential | 300 | 22½ | 28½ | 33½ | 12½ | 17 | 24 |
| (*310 ) | 330 | 8½ | 16 | 19½ | 30½ | 34 | 41½ |
| RTZ | 850 | 98½ | 107 | 117 | 14 | 23½ | 32 |
| (*871 ) | 900 | 33 | 50½ | 63 | 58½ | 68½ | 78 |
| Redland | 500 | 54 | 64 | 68½ | 13½ | 23½ | 32½ |
| (*538 ) | 550 | 25 | 37 | 42½ | 38 | 46 | 58 |
| Royal Insce | 260 | 22 | 27½ | 30½ | 15½ | 18½ | 24½ |
| (*265 ) | 280 | 13 | 18 | 22 | 27 | 29½ | 35½ |
| Tesco | 240 | 17 | 23½ | 27 | 12 | 16½ | 21 |
| (*244 ) | 260 | 8 | 15 | 19 | 24½ | 27½ | 32 |
| Vodafone | 183 | 17½ | 21 | – | 7½ | 11 | – |
| (*190 ) | 200 | 9 | 13 | 17½ | 17 | 20 | 22½ |
| Williams | 354 | 28 | – | – | 11½ | – | – |
| (*371 ) | 384 | 13 | – | – | 27½ | – | – |

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 4 | 59 | 7 |
| Other Fixed Interest | 0 | 0 | 15 |
| Mineral Extraction | 76 | 42 | 82 |
| General Manufacturers | 115 | 158 | 373 |
| Consumer Goods | 38 | 42 | 107 |
| Services | 95 | 95 | 316 |
| Utilities | 20 | 15 | 10 |
| Financials | 86 | 77 | 205 |
| Investment Trusts | 83 | 83 | 301 |
| Others | 61 | 23 | 46 |
| Totals | 578 | 594 | 1462 |

Data based on those companies listed on the London Share Service.

## TRADITIONAL OPTIONS

| | | | |
|---|---|---|---|
| First Dealings | August 8 | Expiry | November 10 |
| Last Dealings | August 19 | Settlement | November 24 |

Calls: Alliance Res., Arcon Intl., East Mid. Elect., Elswick, Medeva, NSM, Regent Corp., Tullow Oil, Regent Corp., Tullow Oil, Upton & South., Weir, Wiggins. Puts: Arcon Intl., NSM, Tullow Oil, Wiggins Put & Call: Stand. & Chart.

## LONDON RECENT ISSUES: EQUITIES

## RIGHTS OFFERS

## FINANCIAL TIMES EQUITY INDICES

## FT GOLD MINES INDEX

## FT - SE Actuaries Share Indices — The UK Series

| | Aug 11 | Day's chge% | Aug 10 | Aug 9 | Aug 8 | Year ago | Div. yield% | Earn. yield% | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3138.2 | -0.9 | 3167.0 | 3168.6 | 3171.9 | 3009.1 | 4.01 | 6.73 | 17.53 | 83.18 | 1180.14 |
| FT-SE Mid 250 | 3726.6 | +0.3 | 3716.9 | 3728.4 | 3728.7 | 3451.8 | 3.31 | 5.56 | 21.64 | 83.11 | 1381.57 |
| FT-SE Mid 250 ex Inv Trusts | 3731.6 | +0.3 | 3720.6 | 3732.0 | 3733.3 | 3481.5 | 3.46 | 6.01 | 20.16 | 86.35 | 1380.07 |
| FT-SE-A 350 | 1587.9 | -0.6 | 1598.1 | 1599.7 | 1601.1 | 1510.6 | 3.84 | 6.45 | 18.35 | 40.54 | 1221.69 |
| FT-SE SmallCap | 1876.11 | +0.1 | 1874.04 | 1871.37 | 1867.53 | 1716.41 | 3.01 | 4.15 | 31.58 | 34.47 | 1448.15 |
| FT-SE SmallCap ex Inv Trusts | 1843.54 | +0.1 | 1841.59 | 1839.53 | 1835.03 | 1703.46 | 3.19 | 4.58 | 29.18 | 35.43 | 1426.52 |
| FT-SE-A ALL-SHARE | 1576.04 | -0.6 | 1585.28 | 1586.58 | 1587.71 | 1495.38 | 3.78 | 6.29 | 18.92 | 39.45 | 1233.38 |

■ FT-SE Actuaries All-Share

| | Aug 11 | Day's chge% | Aug 10 | Aug 9 | Aug 8 | Year ago | Div. yield% | Earn yield% | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 MINERAL EXTRACTION(18) | 2711.54 | -0.9 | 2737.49 | 2740.90 | 2742.91 | 2268.10 | 3.35 | 4.32 | 29.12 | 54.71 | 1080.40 |
| 12 Extractive Industries(4) | 3955.83 | -0.5 | 3975.22 | 3971.58 | 4010.76 | 3247.20 | 3.22 | 5.09 | 24.60 | 54.24 | 1079.52 |
| 15 Oil, Integrated(3) | 2647.89 | -1.1 | 2677.53 | 2682.07 | 2676.86 | 2202.50 | 3.48 | 4.46 | 27.90 | 59.99 | 1078.32 |
| 16 Oil Exploration & Prod(11) | 2008.69 | -0.4 | 2016.53 | 2019.63 | 2034.09 | 1801.70 | 2.41 | 1.21 | 80.00† | 20.34 | 1151.71 |
| 20 GEN MANUFACTURERS(284) | 2052.02 | -0.8 | 2068.54 | 2068.87 | 2072.08 | 1919.10 | 3.70 | 4.54 | 27.00 | 47.87 | 1038.92 |
| 21 Building & Construction(32) | 1192.62 | -0.1 | 1194.29 | 1198.23 | 1195.65 | 1142.50 | 3.24 | 4.44 | 29.01 | 20.81 | 928.57 |
| 22 Building Matls & Merchs(31) | 2002.58 | -1.4 | 2031.05 | 2044.30 | 2060.98 | 1800.80 | 3.67 | 3.99 | 31.58 | 46.71 | 937.63 |
| 23 Chemicals(22) | 2504.38 | -1.9 | 2551.99 | 2559.15 | 2568.42 | 2226.20 | 3.70 | 4.03 | 31.42 | 71.81 | 1107.76 |
| 24 Diversified Industrials(16) | 2082.70 | -0.5 | 2073.92 | 2064.06 | 2057.96 | 2017.30 | 4.40 | 4.53 | 27.17 | 54.88 | 1045.58 |
| 25 Electronic & Elect Equip(35) | 1962.29 | -0.4 | 1970.34 | 1976.96 | 1970.83 | 2161.10 | 3.83 | 6.37 | 18.80 | 53.87 | 957.89 |

■ Hourly movements

■ FT-SE Actuaries 350 Industry baskets

# LONDON SHARE SERVICE

## BANKS

| | Notes | Price | + or - | 1994 high | 1994 low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| ABN Amro Fl | | £22⅞ | -⅛ | £25⅛ | £20⅞ | 6,946 | 5.0 | ф |
| ANZ A$ | | 199 | -2 | 278¼ | 179¾ | 2,648 | 4.9 | 29.2 |
| Abbey National | †N□ | 394 | -8 | 523 | 361 | 5,168 | 6.0 | 13.1 |
| Allied Irish I£ | ♣†N□ | 259 | -4 | 314 | 234 | 1,847 | 5.1 | 9.4 |
| Anglo Irish I£ | N□ | 57 | — | *70 | 50 | 195.2 | 7.5 | 10.4 |
| Asahi Y | | 777½ | +13¾ | 819¾ | 628 | 18,044 | 0.8 | ф |
| Banco Bil Viz Pta | | £15⅞ | +⅛ | £18⅞ | £14⅞ | 3,616 | 5.4 | 6.8 |
| Banco Sant Pta | | £26⅞ | -2⅛ | *£30½ | £23⅛ | 3,953 | 5.5 | 9.1 |
| Bk Ireland I£ | ♣□ | 271 | -1 | *318 | 248 | 1,280 | 4.8 | 7.8 |
| Bank Scotland | ♣N□ | 186 | — | 247 | 172½ | 2,170 | 3.4 | 15.2 |
| 9¼pc Pf | | 114⅛ | -½ | 141½ | 114 | 114.2 | 10.1 | – |
| 9¾pc Pf | | 119½ | -½ | 149½ | 119¼ | 119.5 | 10.2 | – |
| Barclays | ♣†N□ | 548½ | -14½ | 640 | 487 | 8,924 | 3.9 | 16.7 |
| Dai Ichi Kan Y | | £12⅞ | +⅞ | £12⅞ | £10⅞ | 38,892 | 0.4 | – |
| Deutsche DM | | £280⅝ | -12⅛ | £344¼ | £270⅞ | 13,846 | 2.1 | – |
| Espirito Santo | | £21⅜xc | -⅞ | *£13⅞ | £8⅞ | 212.8 | 3.8 | 4.9 |
| First Nat Fin | N□ | 68xd | — | *90 | 60 | 111.4 | 2.8 | – |
| 6.3pc Cv Pf | | 77 | — | *90 | 77 | 6.38 | 10.2 | – |
| 7pc Cv Pf | | 125½ | — | 171 | 123 | 55.6 | 7.0 | – |
| Fuji Bank Y | | 1407 | +8¼ | 1549¼ | 1152½ | 43,384 | 0.4 | ф |
| HSBC HK | N□ | 780 | -14 | 1133 | 690 | 13,659 | 3.8 | 11.3 |
| HSBC (75p Shs) | N□ | 784 | -14 | 1113 | 660 | 6,494 | 3.8 | 11.1 |
| Lloyds | †N□ | 547xd | -6 | 680 | 519 | 7,076 | 5.3 | 10.8 |
| Mitsubishi Y | | £16⅞ | +⅞ | £18⅞ | £15⅞ | 48,485 | 0.3 | ф |
| Mits Tst & Bk Y | | 1026 | +5½ | 1162½ | 687½ | 12,293 | 0.5 | 16.0 |
| Mitsui Tst & Bk Y | | 866½ | -19¼ | 879 | 514 | 8,864 | 0.7 | 26.7 |
| Nat Aust A$ | † | 541 | — | 620¼ | 489¾ | 7,245 | 5.3 | 11.1 |
| NatWest | †N□ | 445xd | -8 | 622 | 421 | 7,471 | 5.4 | 10.3 |
| Ottomane FFr | | £23½ | — | £33 | £23½ | 117.5 | 6.2 | ф |
| Ryl Bk Scotland | ♣†N□ | 380 | -3 | 535 | 377½ | 3,120 | 3.8 | 17.8 |
| Sakura Y | | £8⅞ | +⅛ | £9⅞ | £8⅛ | 30,158 | 0.6 | 55.3 |
| Sanwa Y | | £14⅞ | +⅛ | £15⅞ | £11⅞ | 48,780 | 0.4 | ф |
| Standard Chartd. | †N□ | 247 | -12 | *359¼ | 223 | 2,373 | 3.3 | 10.7 |
| 7 3/8pc Pf | | 90¾ | -1 | 108½ | 89¼ | 90.8 | 10.2 | – |
| Sumitomo Y | | £12⅞ | — | £16⅛ | £11½ | 40,733 | 0.4 | 27.2 |
| Sumitomo Tst Y | | 949½ | -1¼ | 1149½ | 625 | 11,786 | 0.6 | ф |

## CHEMICALS

| | Notes | Price | + or - | 1994 high | 1994 low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| AGA SKr | | 654⅞ | -⅞ | *678 | 543 | 676.5 | 12.4 | ф |
| Akzo Fl | | £81⅞ | +⅛ | £82⅞ | £69⅞ | 3,767 | 2.8 | 21.4 |
| Allied Colloids | bN□ | 147xd | +2 | *147 | 115½ | 774.4 | 2.0 | 23.6 |
| Amber Ind | N | 735 | — | 755 | 705 | 29.8 | 3.3 | 15.7 |
| BASF DM | | £134⅝ | -⅞ | £138½ | £106⅞ | 7,889 | 7.0 | – |
| BOC | ♣N□ | 714 | -31 | 787 | 627 | 3,405 | 4.1 | 30.1 |
| BTP | ♣N□ | 322xd | — | *373 | 287 | 433.1 | 3.9 | 20.4 |
| Bayer DM | | £151⅛ | -⅛ | £158⅞ | £129⅞ | 10,132 | 6.0 | – |
| Brent | N□ | 125 | — | 131 | 86 | 84.4 | 4.0 | – |
| British Vita | N□ | 287 | — | 309 | 233 | 578.1 | 3.5 | 22.4 |
| Cambridge Isn $ | ⅞ | 18 | — | 26 | 18 | 2.35 | – | – |
| Canning (W) | ♣N□ | 186 | +1 | 189 | 153 | 55.5 | 4.6 | 33.2 |
| Camentons | ♣N | 65 | -4 | 109 | 65 | 14.3 | 5.3 | 28.3 |
| Warrants | | 27 | -2 | 48 | 27 | 0.23 | – | – |
| Courtaulds | N□ | 532 | -16 | 580 | 467 | 2,138 | 3.5 | 42.9 |
| Croda | N□ | 377 | +2 | 394 | 327 | 487.8 | 2.8 | 19.2 |
| Doeflex | ♣N | 85 | — | 138 | 85 | 10.1 | 6.1 | 10.8 |
| Engelhard $ | | £18⅞ | +⅞ | £20⅞ | £14½ | 1,864 | 1.8 | – |
| European Colour | ♣N□ | 35½ | — | 58 | 35½ | 16.7 | 2.6 | 19.8 |
| Gibbon Lyons | ♣N | 134xd | — | 149 | 132 | 12.2 | 6.1 | ф |
| Hickson | ♣N□ | 182 | -6 | 223 | 160 | 283.8 | 6.3 | 15.3 |
| Hoechst DM | | £144⅞ | -2⅞ | £148⅞ | £108⅞ | 8,531 | 5.1 | – |
| Holliday Chemical | †gN□ | 247 | -3 | *250 | 153¼ | 258.7 | 2.2 | 20.0 |
| ICI | N□ | 843xd | -14 | 888 | 729 | 6,094 | 4.1 | 68.7 |
| Inspec | Z□ | 219 | -3 | 232 | 178 | 186.7 | 0.8 | – |
| Kalon | ♣N□ | 164 | -½ | 191½ | 148½ | 218.6 | 3.2 | 16.6 |
| Laporte | ♣N□ | 788 | -7 | 843 | 704 | 1,629 | 3.2 | 21.6 |
| MTM | ♣□ | 74 | — | 78 | 48 | 27.5 | – | – |
| Manders | N | 346 | -2 | 405 | 332 | 137.4 | 3.6 | 18.2 |
| McLeod Russel | N□ | 116 | — | 127 | 100 | 70.2 | 6.6 | 18.1 |
| Metrotect Inds | ♣N□ | 103xd | — | 128 | 99 | 24.8 | 4.2 | ф |
| Perstorp SKr | | £24⅝ | -2⅞ | £32⅞ | £22⅛ | 120.4 | 1.6 | 31.0 |
| Porvair | ♣N | 310 | — | 349 | 265 | 47.7 | 1.7 | 23.3 |
| Scapa | ♣N□ | 217xd | -1 | 272 | 188 | 514.3 | 3.4 | 18.5 |
| Sutcliffe Speak | ♣N□ | 48 | — | 68 | 44 | 27.6 | 1.3 | 28.8 |
| Wardle Storeys | N□ | 398 | -4 | 480 | 361 | 97.1 | 5.5 | 20.4 |

## BREWERIES

## BUILDING & CONSTRUCTION

## BUILDING MATS. & MERCHANTS

## DISTRIBUTORS

## DIVERSIFIED INDUSTRIALS

## ELECTRICITY

## ELECTRONIC & ELECTRICAL EQPT

## ELECTRONIC & ELECTRICAL EQPT - Cont.

## ENGINEERING

## ENGINEERING, VEHICLES

## EXTRACTIVE INDUSTRIES

## FOOD MANUFACTURERS

## GAS DISTRIBUTION

## HEALTH CARE

## HEALTH CARE - Cont.

## HOUSEHOLD GOODS

## INSURANCE

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Cont.

مكتبة الأصل

# LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

[illegible]

## OTHER INVESTMENT TRUSTS

[illegible]

## INVESTMENT COMPANIES

[illegible]

## LEISURE & HOTELS

[illegible]

## LEISURE & HOTELS - Cont.

[illegible]

## LIFE ASSURANCE

[illegible]

## MEDIA

[illegible]

## MERCHANT BANKS

[illegible]

## OIL EXPLORATION & PRODUCTION

[illegible]

## OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

## OIL, INTEGRATED

[illegible]

## OTHER FINANCIAL

[illegible]

## OTHER SERVICES & BUSINESSES

[illegible]

## PHARMACEUTICALS

[illegible]

## PRINTING, PAPER & PACKAGING

[illegible]

## PROPERTY

[illegible]

## PROPERTY - Cont.

[illegible]

## RETAILERS, FOOD

[illegible]

## RETAILERS, GENERAL

[illegible]

## RETAILERS, GENERAL - Cont.

[illegible]

## SPIRITS, WINES & CIDERS

[illegible]

## SUPPORT SERVICES

[illegible]

## TELECOMMUNICATIONS

[illegible]

## TEXTILES & APPAREL

[illegible]

## TOBACCO

[illegible]

## TRANSPORT

[illegible]

## TRANSPORT - Cont.

[illegible]

## WATER

[illegible]

## AMERICANS

[illegible]

## CANADIANS

[illegible]

| | Notes | Price | + or – | 1994 high | 1994 low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| TVX Gold | ♥ | 355½p | –5 | 473½p | 352½p | 582.2 | – | |
| Toronto-Dom | | 9⅝ | +⅛ | 11⅛ | 9⅛ | 2,976 | 3.8 | |
| Trans Can Pipe | ♥ | 8⅜ | –⅛ | 10⅝ | 7⅛ | 1,469 | 4.9 | |

## SOUTH AFRICANS

| | Notes | Price | + or – | 1994 high | 1994 low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind | | £27 | ..... | £27½ | £13½ | 1,760 | 2.7 | 19.7 |
| Barlow | 2 | 843⁄4 | ..... | £5¾ | £3¾ | 933.6 | 0.7 | – |
| Gold Flds Prop R | | 112 | ..... | 113 | 76 | 11.5 | 8.4 | Φ |
| MK Props | s | 85 | ..... | 85 | 85 | 3.42 | 10.5 | 34.9 |
| SASOL | ♥ | 394 | ..... | 463 | 280 | 2,239 | 3.6 | – |
| SA Brews | | £12¾ | ..... | £15¾ | £10 | 3,463 | 2.2 | 20.4 |
| Tiger Oats | † | 613 | ..... | 636 | 538 | 921.8 | 2.6 | 12.9 |
| Tongaat-Hulett | | 601 | ..... | *739¼ | 427½ | 517.2 | 2.3 | 19.0 |

## GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✽ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
e Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion.

## FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT8842. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

## FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

## AUTHORISED UNIT TRUSTS

**Pilgrim Unit Trust Mngmt Ltd (0830)F**
39 Pilgrim St, Newcastle upon Tyne NE1 6RD 091-201 3827

| | Init Chrg | Canc Price | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|---|---|
| American | 6 | 98.98 | 98.98 | 104.98 | +0.01 | 0.00 |
| European | 6 | 70.67 | 71.81 | 76.38 | -0.17 | 0.00 |
| Global | 6 | 67.19 | 68.40 | 72.77 | -0.03 | 0.00 |
| Pacific | 6 | 68.18 | 69.19 | 73.61 | +0.20 | 0.00 |
| UK Income & Growth | 6 | 63.53 | 65.09 | 69.23 | -0.01 | 2.00 |
| UK Inc & Gwth Acc | 6 | 68.54 | 70.23 | 74.71 | -0.02 | 1.97 |

**Pointon York UT Mngrs (0800)F**
The Crescent, King St, Leicester LE1 6RX 0533 590540

| | | | | | | |
|---|---|---|---|---|---|---|
| PR Director Dealings | 5¼ | 97.02 | 100.71 | 107.28 | -0.38 | 0.36 |

**Portfolio Fund Management Ltd (0900)F**
1 White Hart Yard, London SE1 1NX 071-407 5966

| | | | | | | |
|---|---|---|---|---|---|---|
| Portfolio Emerging Markets | 5 | 48.98 | 48.98 | 53.24 | -0.27 | - |
| Portfolio Fund of Funds Inc | 5 | 157.28 | 160.29 | 169.83 | - | 0.63 |
| Portfolio Fund of Funds Acc | 5 | 157.28 | 160.29 | 169.83 | - | 0.63 |

Effective Initial Charge reduces for investments over £5,000

**Premium Life Unit Tst Mngrs Ltd (1400)F**
37 Perrymount Rd, Haywards Heath 0444 458721

| | | | | | | |
|---|---|---|---|---|---|---|
| Monthly Income | 6 | 55.88 | 57.91 | 61.38 | -0.19 | 2.45 |
| Growth Accum | 6 | 61.84 | 63.92 | 67.75 | +0.80 | 1.72 |
| Growth Income | 6 | 61.22 | 63.29 | 67.09 | +0.83 | 1.72 |

**Principal Unit Trust Mngmt Ltd (1600)F**
16 South Park, Sevenoaks, TN13 1AN 0732 740700

| | | | | | | |
|---|---|---|---|---|---|---|
| Principal Tst | 5¼ | 128.36 | 129.91 | 138.21 | -0.07 | 1.73 |

### Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on ( 071 ) 873 4378 for more details.

Thornton Unit Managers Ltd - Contd.

Waverley Unit Tst Mngmt Ltd (1000)F

Whittingdale Unit Tst Mgmt Ltd (0930)F

## OTHER UK UNIT TRUSTS

## INSURANCES

Abbey National Life Plc

Acuma Life Assurance Ltd

Clerical Medical/Fidelity Investments

Friends Provident - Contd.

GT Unit Managers Ltd

Lancashire & Yorkshire Assce Society

Laurentian Life plc

[illegible]

# FT MANAGED FUNDS SERVICE

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Scottish Mutual Assurance plc - Contd.

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| North American Fund | 233.2 | 245.6 | +2.40 | - |
| International Fund | [illegible] | [illegible] | +0.80 | - |
| Gilts & Fxd Int Fund | [illegible] | [illegible] | -2.7 | - |
| Index-Linked Fund | 173.5 | 182.7 | -0.40 | - |
| Property Fund | 132.7 | 139.7 | — | - |
| Cash Fund | 172.9 | 182.0 | | - |
| Pens Safety Fnd | 271.7 | [illegible] | -2.80 | - |
| Pens Growth Fnd | [illegible] | [illegible] | -1.20 | - |
| Pens Opportunity Fnd | [illegible] | 251.4 | -1.0 | - |
| Pens W'wide Venture Fnd | 197.1 | 207.5 | +0.60 | - |
| Pens UK Equity Fnd | [illegible] | [illegible] | -2.20 | - |
| Pens UK Smlr Co's Fnd | 204.8 | [illegible] | -0.30 | - |
| Pens European Fnd | [illegible] | [illegible] | -2.40 | - |
| Pens Far East Fnd | 437.0 | 460.1 | +5.70 | - |
| Pens Japanese Fnd | 148.5 | 156.4 | +0.8 | - |
| Pens Nth American Fnd | 296.1 | 311.7 | -3.40 | - |
| Pens International Fnd | 305.1 | 321.2 | +1.10 | - |
| Pens Gilts/Fxd Int Fnd | [illegible] | [illegible] | -3.20 | - |
| Pens Index-linked Fnd | 179.4 | 188.9 | -0.40 | - |
| Pens Property Fnd | 147.8 | [illegible] | -0.10 | - |
| Pens Cash Fund | 214.7 | 226.1 | — | - |
| Pens Halifax Fnd | 230.7 | 242.9 | — | - |

Scottish Provident Group

8 St Andrew Sq, Edinburgh 031-556 2852

Scottish Provident Institution Funds

Life Funds

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| With-Profits | 112.9 | 118.9 | | - |
| Managed | [illegible] | [illegible] | +0.9 | - |
| Blue Chip | 144.3 | 152.0 | +0.4 | - |
| Equity | 278.3 | 294.1 | +0.8 | - |
| International | 295.2 | 310.8 | +0.6 | - |
| Property | [illegible] | [illegible] | | - |
| Fixed Interest | [illegible] | [illegible] | +0.1 | - |
| Index-Linked | 172.6 | 181.7 | +0.2 | - |
| Cash | 185.3 | 195.1 | — | - |
| Money Market | 122.0 | 128.5 | | - |
| Americas Performance | 164.9 | 173.7 | +1.5 | - |
| Europe Performance | 132.6 | 139.7 | +0.2 | - |
| Far East Performance | 140.3 | 147.8 | +0.5 | - |
| Worldwide Performance | 155.5 | 163.8 | +1.9 | - |

Pension Funds

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| With-Profits Ord | 213.7 | 225.0 | | - |
| Managed Ord | 337.5 | 355.4 | +1.2 | - |
| Blue Chip Ord | 152.6 | 160.8 | +0.6 | - |
| Equity Ord | 355.0 | 373.8 | +1.2 | - |
| International Ord | 368.9 | 388.4 | +1.4 | - |
| Property Ord | 300.0 | 315.9 | | - |
| Fixed Interest Ord | [illegible] | [illegible] | +0.2 | - |
| Index-linked Ord | 190.3 | 200.4 | +0.2 | - |

Sun Alliance Group - Contd.

Property Growth Pension Funds

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed (Acc) | 1170.1 | | +1.7 | - |
| Managed (Cap) | [illegible] | | +0.9 | - |
| Building Society (Acc) | [illegible] | | +0.2 | - |
| Building Society (Cap) | [illegible] | | | - |
| Conv Bdng Sec (Acc) | 902.5 | | +0.2 | - |
| Conv Bdng Sec (Cap) | 481.3 | | +0.1 | - |
| Equity (Acc) | 977.0 | | +1.9 | - |
| Equity (Cap) | 585.4 | | +1.1 | - |
| Gilt Edged (Acc) | [illegible] | | +0.4 | - |
| Gilt Edged (Cap) | [illegible] | | -0.1 | - |
| International (Acc) | 370.2 | | +0.6 | - |
| International (Cap) | [illegible] | | +0.4 | - |
| Property (Acc) | [illegible] | | +0.1 | - |
| Property (Cap) | [illegible] | | +0.1 | - |
| Pension Fund Units | 610.2 | | +0.1 | - |
| Immediate Annuity | [illegible] | | — | - |
| Retirement Annuity | [illegible] | | — | - |

Sun Life Unit Assurance Ltd

St James Barton, Bristol 0272 426911

Sun Life Pensions Management Ltd

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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# FT MANAGED FUNDS SERVICE

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## LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds

[illegible]

Abtrust Fund Mngrs Luxembourg SA (u)

[illegible]

American Phoenix Investment Portfolios (u)

[illegible]

BAII Intermarket Fund

[illegible]

Bank Von Ernst & Cie AG

[illegible]

HSBC Investment Funds Luxembourg SA (u)

[illegible]

Henderson Management SA (u)

[illegible]

JERSEY

[illegible]

## LUXEMBOURG (REGULATED)(**)

For ABN AMRO see Luxembourg (SIB Recognised)

Asian International Umbrella Fund (u)

[illegible]

Israel Selection Fund

NAV ..... $78.23

For Latin American Securities see Foreign & Colonial

Lloyds Bank Luxembourg (u)

[illegible]

Lombard Odier Invest (u)

[illegible]

MFS International Funds

[illegible]

Credit Commercial de France

[illegible]

## OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

# CURRENCIES AND MONEY

## MARKETS REPORT

# Rate rises hit markets

Financial markets yesterday received a rude wake-up call from their summer torpor as both Sweden and Italy raised short term interest rates, *writes Philip Gawith.*

The 50 basis point increase in the Swedish ceiling rate to 8 per cent, and a similar rise in the Italian discount rate, to 7.5 per cent, raised fears that the interest rate cycle in Europe may have bottomed.

The rate moves were poorly received by sceptical markets, and both currencies traded lower. Yesterday afternoon the lira was quoted at a record low of L1,016.50 against the D-Mark, compared to a London close of L1,005 ten minutes before the rate move was announced.

The Swedish krona was quoted in London at SKr4.987 against the D-Mark, off a low of SKr5, but well below Wednesday's close of SKr4.940.

Events in Europe overshadowed the release of a fairly neutral set of July PPI and retail sales figures in the US. The dollar, however, weakened sharply as nervous investors sought refuge from currency turbulence in the D-Mark.

Yesterday evening the dollar was trading at DM1.5635, more than 2½ pfennigs off its high for the day of DM1.5905.

Sterling had a steady day with weakness against the D-Mark offset by strength against the dollar. At midday in New York the pound was trading at $1.5485, up from $1.53 earlier, and DM2.4256, down from DM2.4350.

The interest rate futures markets had a hectic day with heavy volumes traded, and large price movements. The December short sterling contract traded over 50,000 lots and was bid yesterday evening at 93.23 compared to Wednesday's close of 93.43. The December euromark contract traded 66,000 lots and was bid at 94.78 compared to the previous close of 94.96.

■ Sweden's central bank, the Riksbank, said it raised rates as a pre-emptive strike against inflation. The Bank of Italy, in turn, said rates were raised in order to defend the lira.

Markets, however, were equally unimpressed with both motivations and predicted further currency weakness.

Mr Jeremy Hawkins, chief economist at the Bank of America in London, commented: "The message from the market to big budget deficit governments is that investors are no longer prepared to invest in their assets unless we see a big cut in their budget deficit, or a big increase in interest rates. Fifty basis points is neither here nor there."

Mr Hawkins said the market's initial response had been so negative that speculators were now likely to turn their attention to other countries with fiscal problems, notably Portugal, Greece and Belgium. "The foreign exchange market at the moment is now looking at budget deficits more than anything else."

Countries with a sounder fiscal position are expected to stay out of the firing line. Mr Brian Durrant, economist at brokers GNI commented: "I don't think German policy will be altered in any shape or form by events we have seen today." Indeed, some analysts believe another interest rate cut from the Bundesbank is likely, possibly as soon as next week when the council next meets.

Mr Tony Norfield, UK treasury economist at ABN-AMRO, noted: "The issue is fiscal deficits rather than Swedish monetary policy being a leading indicator for Europe. But that is certainly how the market is seeing it now."

That said, yesterday's rate moves have clearly served as a further catalyst for bearishness across the board in European interest rate markets.

A common criticism among analysts was that both central banks had essentially missed the point which was that markets were worried about large budget deficits.

Against this background, selling the currency is logical because higher interest rates promises only to aggravate the economic difficulties these countries face, and makes holding their assets a less palatable prospect.

Some analysts said the central banks' actions could be interpreted as warning shots across the bows of the politicians, warning them that they had to cut their budget deficits.

Mr Jouni Kokko, international economist at S.G.Warburg in London, said high debt countries might have to accept a degree of exchange rate fluctuation as the price for interest rate independence.

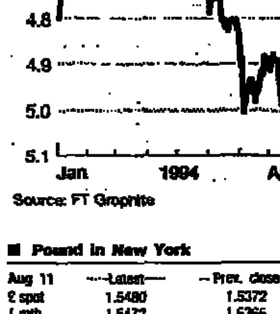
He predicted that the issue of how high deficit countries would cope with rising interest rates would prompt further speculation against their currencies.

■ The dollar's weakness was attributed more to the search for safety in the D-Mark rather than in any specific concern about the US currency. Analysts said that yesterday's data was unlikely to have altered any views of the likelihood, or not, of a Fed tightening at next week's FOMC meeting.

■ In the UK money markets the Bank of England provided late assistance of £120m after forecasting a £350m shortage. Earlier it had provided £200m liquidity at established rates. In the cash markets sterling LIBOR firmed on speculation of higher rates to 5$\frac{11}{16}$ per cent from 5$\frac{5}{16}$ per cent.

**Swedish kronor**

Against the D-Mark (SKr per DM)




Source: FT Graphite

■ **Pound in New York**

| Aug 11 | Latest | Prev. close |
|---|---|---|
| £ spot | 1.5480 | 1.5372 |
| 1 mth | 1.5472 | 1.5365 |
| 3 mth | 1.5453 | 1.5347 |
| 1 yr | 1.5335 | 1.5256 |

■ **OTHER CURRENCIES**

| Aug 11 | £ | $ |
|---|---|---|
| Hungary | 166.525 - 166.755 | 108.670 - 108.770 |
| Iran | 2688.00 - 2688.00 | 1748.00 - 1750.00 |
| Kuwait | 0.4571 - 0.4581 | 0.2983 - 0.2988 |
| Poland | 35030.6 - 35092.6 | 22860.0 - 22890.0 |
| Russia | 3195.88 - 3200.49 | 2085.00 - 2088.00 |
| U.A.E. | 5.6407 - 5.6522 | 3.6715 - 3.6735 |

## POUND SPOT FORWARD AGAINST THE POUND

| Aug 11 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 17.1201 | +0.043 | 123 - 278 | 17.1481 | 17.0371 | 17.1157 | 0.3 | 17.1039 | 0.4 | - | - | 116.1 |
| Belgium | (BFr) | 50.1163 | +0.1319 | 972 - 354 | 50.1910 | 50.0870 | 50.1163 | 0.0 | 50.1413 | -0.2 | 49.7913 | 0.6 | 116.5 |
| Denmark | (DKr) | 9.6161 | +0.0487 | 097 - 225 | 9.6316 | 9.5956 | 9.6206 | -0.6 | 9.6302 | -0.6 | 9.6831 | -0.7 | 116.3 |
| Finland | (FM) | 8.0358 | +0.0505 | 253 - 462 | 8.0510 | 7.9750 | - | - | - | - | - | - | 82.3 |
| France | (FFr) | 8.3307 | +0.0212 | 263 - 350 | 8.3472 | 8.3246 | 8.3336 | -0.4 | 8.3319 | -0.1 | 8.2921 | 0.5 | 109.7 |
| Germany | (DM) | 2.4328 | +0.0075 | 318 - 338 | 2.4384 | 2.4262 | 2.4326 | 0.0 | 2.4299 | 0.5 | 2.4035 | 1.2 | 125.8 |
| Greece | (Dr) | 367.860 | +1.256 | 623 - 097 | 368.265 | 367.238 | - | - | - | - | - | - | - |
| Ireland | (I£) | 1.0136 | +0.0024 | 130 - 146 | 1.0164 | 1.0120 | 1.0139 | -0.1 | 1.014 | -0.1 | 1.0144 | -0.1 | 104.3 |
| Italy | (L) | 2446.27 | +2.5 | 418 - 836 | 2457.25 | 2444.18 | 2453.07 | -3.3 | 2464.82 | -3.0 | 2510.27 | -2.6 | 75.5 |
| Luxembourg | (LFr) | 50.1163 | +0.1318 | 972 - 354 | 50.1910 | 50.0870 | 50.1163 | 0.0 | 50.1413 | -0.2 | 49.7913 | 0.6 | 116.5 |
| Netherlands | (Fl) | 2.7337 | +0.0084 | 323 - 351 | 2.7420 | 2.7276 | 2.7335 | 0.1 | 2.7303 | 0.5 | 2.7025 | 1.1 | 120.3 |
| Norway | (NKr) | 10.6692 | +0.0594 | 652 - 731 | 10.6761 | 10.5895 | 10.6662 | 0.3 | 10.6767 | -0.3 | 10.6627 | 0.1 | 96.3 |
| Portugal | (Es) | 247.386 | +0.606 | 176 - 596 | 248.232 | 247.176 | 249.116 | -8.4 | 252.296 | -7.9 | - | - | - |
| Spain | (Pta) | 200.714 | +0.761 | 591 - 836 | 201.047 | 200.390 | 201.224 | -3.0 | 201.904 | -2.4 | 203.799 | -1.5 | 88.2 |
| Sweden | (SKr) | 12.0864 | +0.1076 | 765 - 963 | 12.1269 | 11.9518 | 12.1079 | -2.1 | 12.1584 | -2.4 | 12.3789 | -2.4 | 73.2 |
| Switzerland | (SFr) | 2.0435 | +0.0086 | 484 - 505 | 2.0562 | 2.0476 | 2.048 | 0.9 | 2.0435 | 1.2 | 2.0124 | 1.8 | 120.8 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 79.4 |
| Ecu | - | 1.2751 | +0.0047 | 743 - 758 | 1.2786 | 1.2735 | 1.2759 | -0.8 | 1.2766 | -0.4 | 1.2775 | -0.2 | - |
| SDR† | - | 0.940325 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.5319 | -0.0078 | 315 - 323 | 1.5377 | 1.5300 | - | - | - | - | - | - | - |
| Brazil | (R) | 1.3741 | +0.0001 | 730 - 752 | 1.3796 | 1.3694 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.1115 | -0.0051 | 106 - 123 | 2.1203 | 2.1082 | 2.1121 | -0.3 | 2.1125 | -0.2 | 2.1213 | -0.5 | 86.4 |
| Mexico | (New Peso) | 5.2091 | -0.0096 | 048 - 133 | 5.2225 | 5.2037 | - | - | - | - | - | - | - |
| USA | ($) | 1.5328 | -0.0076 | 324 - 331 | 1.5383 | 1.5305 | 1.5321 | 0.5 | 1.5303 | 0.6 | 1.5213 | 0.8 | 63.8 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.0532 | -0.0268 | 520 - 543 | 2.0663 | 2.0511 | 2.0531 | 0.0 | 2.0545 | -0.3 | 2.0727 | -0.9 | - |
| Hong Kong | (HK$) | 11.8431 | -0.0569 | 396 - 466 | 11.8854 | 11.8265 | 11.8392 | 0.4 | 11.8381 | 0.2 | 11.8451 | 0.0 | - |
| India | (Rs) | 48.0785 | -0.2443 | 637 - 933 | 48.2490 | 48.0120 | - | - | - | - | - | - | - |
| Japan | (Y) | 154.984 | -0.83 | 910 - 058 | 155.860 | 154.580 | 154.594 | 3.0 | 153.899 | 3.3 | 149.234 | 3.7 | 187.7 |
| Malaysia | (M$) | 3.9262 | -0.049 | 245 - 278 | 3.9665 | 3.9211 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.5536 | -0.0231 | 519 - 552 | 2.5631 | 2.5506 | 2.5575 | -1.8 | 2.5653 | -1.8 | 2.5676 | -1.3 | - |
| Philippines | (Peso) | 40.1965 | -0.2763 | 424 - 505 | 40.5505 | 39.8424 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 5.7484 | -0.0285 | 468 - 499 | 5.7689 | 5.7401 | - | - | - | - | - | - | - |
| Singapore | (S$) | 2.3091 | -0.0114 | 078 - 104 | 2.3159 | 2.3060 | - | - | - | - | - | - | - |
| S Africa (Com.) | (R) | 5.5352 | -0.0278 | 327 - 376 | 5.5616 | 5.5179 | - | - | - | - | - | - | - |
| S Africa (Fin.) | (R) | 7.1227 | -0.0246 | 057 - 396 | 7.1457 | 7.1057 | - | - | - | - | - | - | - |
| South Korea | (Won) | 1236.16 | -2.82 | 511 - 721 | 1239.87 | 1234.35 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 40.5665 | -0.2004 | 534 - 796 | 40.7096 | 40.5106 | - | - | - | - | - | - | - |
| Thailand | (Bt) | 38.4260 | -0.1752 | 019 - 501 | 38.5500 | 38.3770 | - | - | - | - | - | - | - |

†SDR rate for Aug 10. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Aug 11 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | J.P Morgan Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 11.1695 | +0.083 | 670 - 720 | 11.1960 | 11.1325 | 11.1697 | 0.0 | 11.1695 | 0.0 | 11.0845 | 0.8 | 104.3 |
| Belgium | (BFr) | 32.6970 | +0.247 | 920 - 020 | 32.7570 | 32.5980 | 32.7125 | -0.6 | 32.737 | -0.5 | 32.772 | -0.2 | 105.7 |
| Denmark | (DKr) | 6.2738 | +0.0628 | 710 - 765 | 6.2855 | 6.2447 | 6.2813 | -1.4 | 6.2963 | -1.4 | 6.3413 | -1.1 | 104.9 |
| Finland | (FM) | 5.2427 | +0.0586 | 371 - 483 | 5.2587 | 5.1903 | 5.2467 | -0.9 | 5.2547 | -0.9 | 5.3027 | -1.1 | 77.3 |
| France | (FFr) | 5.4351 | +0.0406 | 335 - 367 | 5.4485 | 5.4160 | 5.4394 | -1.0 | 5.4449 | -0.7 | 5.4209 | 0.3 | 106.1 |
| Germany | (D) | 1.5872 | +0.0127 | 869 - 875 | 1.5905 | 1.5818 | 1.5879 | -0.5 | 1.5879 | -0.2 | 1.5795 | 0.5 | 108.8 |
| Greece | (Dr) | 240.000 | +2 | 900 - 100 | 240.250 | 239.100 | 240.39 | -2.0 | 241.175 | -2.0 | 244.5 | -1.9 | 69.5 |
| Ireland | (I£) | 1.5119 | -0.0111 | 111 - 127 | 1.5192 | 1.5062 | 1.5108 | 0.9 | 1.5086 | 0.9 | 1.4976 | 0.9 | - |
| Italy | (L) | 1596.00 | +9.5 | 500 - 700 | 1600.45 | 1591.25 | 1601.55 | -4.2 | 1611.35 | -3.8 | 1652.9 | -3.6 | 76.0 |
| Luxembourg | (LFr) | 32.6970 | +0.247 | 920 - 020 | 32.7570 | 32.5980 | 32.7125 | -0.6 | 32.737 | -0.5 | 32.772 | -0.2 | 105.7 |
| Netherlands | (Fl) | 1.7835 | +0.0142 | 830 - 840 | 1.7865 | 1.7772 | 1.7841 | -0.4 | 1.7825 | 0.2 | 1.7778 | 0.3 | 105.3 |
| Norway | (NKr) | 6.9608 | +0.0729 | 598 - 618 | 6.9722 | 6.8930 | 6.9648 | -0.7 | 6.9738 | -0.7 | 6.9113 | 0.7 | 96.6 |
| Portugal | (Es) | 161.400 | +1.19 | 300 - 500 | 161.850 | 161.000 | 162.485 | -8.1 | 164.225 | -7.0 | 170.65 | -5.7 | 95.3 |
| Spain | (Pta) | 130.950 | +1.14 | 900 - 000 | 131.160 | 130.450 | 131.315 | -3.3 | 131.96 | -3.1 | 134.1 | -2.4 | 81.3 |
| Sweden | (SKr) | 7.8855 | +0.1068 | 808 - 901 | 7.9001 | 7.7786 | 7.9035 | -2.7 | 7.937 | -2.6 | 8.0905 | -2.6 | 78.8 |
| Switzerland | (SFr) | 1.3371 | +0.0108 | 367 - 375 | 1.3395 | 1.3330 | 1.3368 | 0.3 | 1.3355 | 0.5 | 1.3226 | 1.1 | 107.0 |
| UK | (£) | 1.5328 | -0.0076 | 324 - 331 | 1.5383 | 1.5305 | 1.5321 | 0.5 | 1.5303 | 0.6 | 1.5213 | 0.8 | 87.6 |
| Ecu | - | 1.2021 | -0.0105 | 017 - 025 | 1.2065 | 1.2010 | 1.2006 | 1.3 | 1.1987 | 1.1 | 1.2098 | -0.6 | - |
| SDR† | - | 1.44622 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9995 | - | 994 - 995 | 0.9995 | 0.9991 | - | - | - | - | - | - | - |
| Brazil | (R) | 0.8965 | +0.0045 | 960 - 970 | 0.8970 | 0.8920 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3776 | +0.0035 | 773 - 778 | 1.3797 | 1.3768 | 1.3789 | -1.1 | 1.3812 | -1.0 | 1.4007 | -1.7 | 83.1 |
| Mexico | (New Peso) | 3.3985 | +0.0105 | 965 - 005 | 3.4005 | 3.3965 | 3.3995 | -0.4 | 3.4013 | -0.3 | 3.4087 | -0.3 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 97.6 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.3395 | -0.0109 | 390 - 399 | 1.3448 | 1.3349 | 1.3398 | -0.2 | 1.3405 | -0.3 | 1.3476 | -0.6 | 88.6 |
| Hong Kong | (HK$) | 7.7267 | +0.0012 | 262 - 272 | 7.7285 | 7.7262 | 7.7265 | 0.0 | 7.7272 | 0.0 | 7.7422 | -0.2 | - |
| India | (Rs) | 31.3675 | -0.0038 | 650 - 700 | 31.3725 | 31.3650 | 31.4525 | -3.3 | 31.5975 | -2.9 | - | - | - |
| Japan | (Y) | 101.115 | -0.04 | 090 - 140 | 101.440 | 100.700 | 100.915 | 2.4 | 100.495 | 2.5 | 98.19 | 2.9 | 147.9 |
| Malaysia | (M$) | 2.5615 | -0.0192 | 610 - 620 | 2.5820 | 2.5590 | 2.5523 | 4.3 | 2.541 | 3.2 | 2.6145 | -2.1 | - |
| New Zealand | (NZ$) | 1.6660 | -0.0068 | 653 - 667 | 1.6681 | 1.6606 | 1.6689 | -0.7 | 1.6686 | -0.7 | 1.6741 | -0.5 | - |
| Philippines | (Peso) | 26.2250 | -0.05 | 000 - 500 | 26.6000 | 26.0000 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7504 | - | 502 - 505 | 3.7505 | 3.7502 | 3.7517 | -0.4 | 3.7556 | -0.6 | 3.7744 | -0.6 | - |
| Singapore | (S$) | 1.5065 | - | 060 - 070 | 1.5070 | 1.5056 | 1.5052 | 1.1 | 1.5033 | 0.9 | 1.4965 | 0.7 | - |
| S Africa (Com.) | (R) | 3.6113 | -0.0002 | 105 - 120 | 3.6190 | 3.6025 | 3.6268 | -5.2 | 3.6551 | -4.9 | 3.7318 | -3.3 | - |
| S Africa (Fin.) | (R) | 4.6470 | +0.007 | 370 - 570 | 4.6570 | 4.6370 | 4.6807 | -8.7 | 4.7395 | -8.0 | - | - | - |
| South Korea | (Won) | 806.500 | +2.15 | 000 - 000 | 807.000 | 803.300 | 809.5 | -4.5 | 813 | -3.2 | 831.5 | -3.1 | - |
| Taiwan | (T$) | 26.4665 | +0.0005 | 640 - 690 | 26.4780 | 26.4630 | 26.4665 | -0.9 | 26.5265 | -0.9 | - | - | - |
| Thailand | (Bt) | 25.0700 | +0.01 | 600 - 800 | 25.0800 | 25.0600 | 25.1425 | -3.5 | 25.27 | -3.2 | 25.75 | -2.7 | - |

†SDR rate for Aug 10. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 10. Base average 1990=100

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Aug 11 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 19.19 | 16.62 | 4.854 | 2.023 | 4880 | 5.455 | 21.29 | 493.6 | 400.4 | 24.10 | 4.088 | 1.995 | 4.214 | 3.059 | 309.1 | 2.544 |
| Denmark | (DKr) | 52.12 | 10 | 8.664 | 2.530 | 1.054 | 2544 | 2.843 | 11.10 | 257.3 | 208.7 | 12.56 | 2.131 | 1.040 | 2.196 | 1.594 | 161.1 | 1.326 |
| France | (FFr) | 60.16 | 11.54 | 10 | 2.920 | 1.217 | 2936 | 3.282 | 12.81 | 297.0 | 240.9 | 14.50 | 2.459 | 1.200 | 2.535 | 1.840 | 185.9 | 1.530 |
| Germany | (DM) | 20.60 | 3.952 | 3.424 | 1 | 0.417 | 1005 | 1.124 | 4.386 | 101.7 | 82.49 | 4.965 | 0.842 | 0.411 | 0.868 | 0.630 | 63.67 | 0.524 |
| Ireland | (I£) | 49.43 | 9.483 | 8.216 | 2.399 | 1 | 2412 | 2.696 | 10.52 | 244.0 | 197.9 | 11.91 | 2.021 | 0.986 | 2.083 | 1.512 | 152.8 | 1.257 |
| Italy | (L) | 2.049 | 0.393 | 0.341 | 0.099 | 0.041 | 100. | 0.112 | 0.436 | 10.11 | 8.205 | 0.494 | 0.084 | 0.041 | 0.086 | 0.063 | 6.333 | 0.052 |
| Netherlands | (Fl) | 18.33 | 3.517 | 3.047 | 0.890 | 0.371 | 894.7 | 1 | 3.903 | 90.49 | 73.41 | 4.418 | 0.749 | 0.366 | 0.772 | 0.561 | 56.66 | 0.466 |
| Norway | (NKr) | 46.97 | 9.012 | 7.808 | 2.280 | 0.950 | 2292 | 2.562 | 10 | 231.9 | 188.1 | 11.32 | 1.920 | 0.937 | 1.979 | 1.437 | 145.2 | 1.195 |
| Portugal | (Es) | 20.26 | 3.887 | 3.367 | 0.983 | 0.410 | 988.7 | 1.105 | 4.313 | 100. | 81.12 | 4.883 | 0.828 | 0.404 | 0.854 | 0.620 | 62.61 | 0.515 |
| Spain | (Pta) | 24.97 | 4.791 | 4.151 | 1.212 | 0.505 | 1219 | 1.362 | 5.316 | 123.3 | 100. | 6.019 | 1.021 | 0.498 | 1.052 | 0.764 | 77.18 | 0.635 |
| Sweden | (SKr) | 41.49 | 7.960 | 6.897 | 2.014 | 0.839 | 2025 | 2.263 | 8.833 | 204.8 | 166.1 | 10 | 1.696 | 0.828 | 1.748 | 1.269 | 128.2 | 1.055 |
| Switzerland | (SFr) | 24.46 | 4.693 | 4.066 | 1.187 | 0.495 | 1194 | 1.334 | 5.207 | 120.7 | 97.95 | 5.896 | 1 | 0.488 | 1.031 | 0.748 | 75.60 | 0.622 |
| UK | (£) | 50.12 | 9.616 | 8.331 | 2.433 | 1.014 | 2446 | 2.734 | 10.67 | 247.4 | 200.7 | 12.08 | 2.049 | 1 | 2.112 | 1.533 | 154.9 | 1.275 |
| Canada | (C$) | 23.73 | 4.553 | 3.945 | 1.152 | 0.480 | 1158 | 1.295 | 5.052 | 117.1 | 95.03 | 5.720 | 0.970 | 0.473 | 1 | 0.726 | 73.34 | 0.604 |
| US | ($) | 32.69 | 6.273 | 5.434 | 1.587 | 0.661 | 1596 | 1.783 | 6.960 | 161.4 | 130.9 | 7.880 | 1.337 | 0.652 | 1.378 | 1 | 101.0 | 0.832 |
| Japan | (Y) | 323.6 | 62.08 | 53.78 | 15.71 | 6.546 | 15791 | 17.65 | 68.88 | 1597 | 1296 | 77.99 | 13.23 | 6.456 | 13.63 | 9.897 | 1000. | 8.231 |
| Ecu | | 39.31 | 7.542 | 6.534 | 1.908 | 0.795 | 1918 | 2.144 | 8.369 | 194.0 | 157.4 | 9.475 | 1.607 | 0.784 | 1.656 | 1.202 | 121.5 | 1 |

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.6315 | 0.6303 | -0.0012 | 0.6320 | 0.6299 | 43,101 | 89,971 |
| Dec | 0.6315 | 0.6306 | -0.0011 | 0.6321 | 0.6306 | 1,991 | 6,313 |
| Mar | 0.6330 | 0.6330 | - | 0.6330 | 0.6330 | 4 | 1,538 |

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.9909 | 0.9926 | +0.0022 | 0.9948 | 0.9881 | 16,541 | 65,710 |
| Dec | 0.9990 | 0.9994 | +0.0022 | 1.0013 | 0.9990 | 547 | 6,150 |
| Mar | 1.0070 | 1.0060 | +0.0031 | 1.0080 | 1.0070 | 65 | 1,118 |

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.7501 | 0.7485 | -0.0015 | 0.7507 | 0.7475 | 17,977 | 40,099 |
| Dec | 0.7500 | 0.7498 | -0.0017 | 0.7515 | 0.7495 | 149 | 1,592 |
| Mar | - | 0.7540 | - | - | - | 11 | 27 |

■ **STERLING FUTURES** (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 1.5386 | 1.5332 | -0.0026 | 1.5378 | 1.5322 | 8,212 | 31,674 |
| Dec | 1.5322 | 1.5320 | -0.0018 | 1.5360 | 1.5320 | 7 | 755 |
| Mar | - | 1.5310 | - | 1.5330 | 1.5310 | 1 | 152 |

### EMS EUROPEAN CURRENCY UNIT RATES

| Aug 11 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Netherlands | 2.19672 | 2.15282 | -0.00043 | -2.00 | 4.65 | - |
| Germany | 1.94964 | 1.91639 | -0.00005 | -1.71 | 4.34 | - |
| Belgium | 40.2123 | 39.4791 | -0.0033 | -1.82 | 4.46 | 13 |
| Ireland | 0.808628 | 0.797098 | -0.001582 | -1.43 | 4.04 | 10 |
| France | 6.53883 | 6.56966 | +0.00033 | 0.47 | 2.08 | -4 |
| Portugal | 192.854 | 195.366 | +0.581 | 1.30 | 1.24 | -9 |
| Denmark | 7.43679 | 7.57759 | +0.01534 | 1.89 | 0.65 | -13 |
| Spain | 154.250 | 158.195 | +0.328 | 2.56 | 0.00 | -18 |
| **NON ERM MEMBERS** | | | | | | |
| Greece | 264.513 | 289.564 | +0.138 | 9.47 | -6.32 | - |
| Italy | 1793.19 | 1933.33 | +8.21 | 7.82 | -4.88 | - |
| UK | 0.786749 | 0.787244 | -0.003224 | 0.06 | 2.49 | - |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

| Strike Price | CALLS Aug | Sep | Oct | PUTS Aug | Sep | Oct |
|---|---|---|---|---|---|---|
| 1.450 | 8.59 | 8.48 | 8.43 | - | - | 0.07 |
| 1.475 | 6.09 | 6.04 | 6.21 | - | 0.04 | 0.28 |
| 1.500 | 3.59 | 3.80 | 4.19 | - | 0.29 | 0.74 |
| 1.525 | 1.18 | 2.02 | 2.53 | - | 0.92 | 1.56 |
| 1.550 | - | 0.83 | 1.40 | 1.29 | 2.21 | 2.81 |
| 1.575 | - | 0.27 | 0.67 | 3.71 | 4.07 | 4.56 |

Previous day's vol., Calls 595,352 Puts 465,566. Prev. day's open int., Calls 14,200 Puts 26,339

## WORLD INTEREST RATES

### MONEY RATES

| August 11 | Over night | One month | Three mths | Six mths | One year | Lomb. inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 7.40 | 4.50 | - |
| week ago | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 7.40 | 4.50 | - |
| France | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 5.00 | - | 6.75 |
| week ago | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 5.00 | - | 6.75 |
| Germany | 4.93 | 4.95 | 4.95 | 4.98 | 5.18 | 6.00 | 4.50 | 4.85 |
| week ago | 4.93 | 4.95 | 4.95 | 4.95 | 5.05 | 6.00 | 4.50 | 4.85 |
| Ireland | 5 | [illegible] | [illegible] | [illegible] | [illegible] | - | - | 6.25 |
| week ago | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | - | 6.25 |
| Italy | [illegible] | [illegible] | [illegible] | 9 | [illegible] | - | 7.50 | 8.20 |
| week ago | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 7.00 | 8.20 |
| Netherlands | 4.85 | 4.95 | 5.00 | 5.07 | 5.32 | - | 5.25 | - |
| week ago | 4.85 | 4.95 | 4.91 | 5.00 | 5.19 | - | 5.25 | - |
| Switzerland | 4 | [illegible] | [illegible] | [illegible] | [illegible] | 6.625 | 3.50 | - |
| week ago | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 6.625 | 3.50 | - |
| US | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 3.50 | - |
| week ago | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 3.50 | - |
| Japan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 1.75 | - |
| week ago | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 1.75 | - |
| ■ **$ LIBOR FT London** | | | | | | | | |
| Interbank Fixing | - | [illegible] | [illegible] | [illegible] | [illegible] | - | - | - |
| week ago | - | [illegible] | [illegible] | [illegible] | [illegible] | - | - | - |
| US Dollar CDs | - | 4.45 | 4.68 | 5.04 | 5.60 | - | - | - |
| week ago | - | 4.45 | 4.50 | 4.82 | 5.34 | - | - | - |
| SDR Linked Ds | - | 3½ | [illegible] | [illegible] | 4 | - | - | - |
| week ago | - | 3½ | [illegible] | [illegible] | 4 | - | - | - |

ECU Linked Ds mid rates: 1 mth: [illegible]; 3 mths: [illegible]; 6 mths: [illegible]; 1 year: [illegible]. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 95.09 | 95.00 | -0.06 | 95.10 | 94.94 | 33269 | 167622 |
| Dec | 94.97 | 94.85 | -0.11 | 94.99 | 94.77 | 66785 | 164224 |
| Mar | 94.70 | 94.55 | -0.13 | 94.72 | 94.48 | 48204 | 153979 |
| Jun | 94.37 | 94.21 | -0.14 | 94.39 | 94.14 | 33657 | 96892 |

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 91.12 | 90.78 | -0.30 | 91.12 | 90.47 | 10633 | 26637 |
| Dec | 90.72 | 90.33 | -0.35 | 90.72 | 90.07 | 6365 | 48627 |
| Mar | 90.31 | 89.93 | -0.32 | 90.32 | 89.65 | 2211 | 13715 |
| Jun | 89.84 | 89.50 | -0.31 | 89.84 | 89.57 | 857 | 12477 |

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 95.61 | 95.55 | -0.03 | 95.62 | 95.48 | 5100 | 25783 |
| Dec | 95.46 | 95.37 | -0.07 | 95.48 | 95.30 | 4548 | 11756 |
| Mar | 95.26 | 95.16 | -0.07 | 95.27 | 95.09 | 1547 | 10918 |
| Jun | 94.96 | 94.81 | -0.10 | 94.97 | 94.81 | 1202 | 4379 |

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 93.92 | 93.88 | -0.03 | 93.97 | 93.86 | 1583 | 10932 |
| Dec | 93.71 | 93.60 | -0.08 | 93.71 | 93.58 | 819 | 8030 |
| Mar | 93.43 | 93.31 | -0.09 | 93.44 | 93.30 | 683 | 4380 |
| Jun | 93.11 | 93.01 | -0.09 | 93.11 | 93.01 | 61 | 1190 |

* LIFFE futures traded on APT

### EURO CURRENCY INTEREST RATES

| Aug 11 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Danish Krone | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| D-Mark | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dutch Guilder | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| French Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Portuguese Esc. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Spanish Peseta | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sterling | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Swiss Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Can. Dollar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| US Dollar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Italian Lira | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Yen | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Asian $Sing | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dec | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Mar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Jun | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

■ **THREE MONTH EURODOLLAR** (LIFFE) $1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dec | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Mar | - | [illegible] | [illegible] | - | - | [illegible] | [illegible] |
| Jun | - | [illegible] | [illegible] | - | - | [illegible] | [illegible] |

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

[illegible]

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

[illegible]

All Open Interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

[illegible]

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

[illegible]

## UK INTEREST RATES

### LONDON MONEY RATES

| Aug 11 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sterling CDs | - | - | [illegible] | [illegible] | [illegible] | [illegible] |
| Treasury Bills | - | - | [illegible] | [illegible] | - | - |
| Bank Bills | - | - | [illegible] | [illegible] | [illegible] | - |
| Local authority deps. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Discount Market deps | [illegible] | [illegible] | - | - | - | - |

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

Certs of Tax dep. (£100,000) [illegible]

[illegible]

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

[illegible]

Traded on APT. All Open Interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

[illegible]

## BASE LENDING RATES

[illegible]

● Members of London Investment Banking Association
* In administration

## MONEY MARKET FUNDS

### Money Market Trust Funds

[illegible]

### Money Market Bank Accounts

[illegible]



هكذا في الاصل

# WORLD STOCK MARKETS

## EUROPE

AUSTRIA (Aug 11 / Sch)

BELGIUM/LUXEMBOURG (Aug 11 / Frs.)

DENMARK (Aug 11 / Kr)

FINLAND (Aug 11 / Mks)

FRANCE (Aug 11 / Frs.)

GERMANY (Aug 11 / Dm.)

ITALY (Aug 11 / Lira)

NETHERLANDS (Aug 11 / Fls.)

NORWAY (Aug 11 / Kroner)

SPAIN (Aug 11 / Pts.)

SWEDEN (Aug 11 / Kronor)

SWITZERLAND (Aug 11 / Frs.)

## PACIFIC

JAPAN (Aug 11 / Yen)

HONG KONG (Aug 11 / H.K.$)

MALAYSIA (Aug 11 / MYR)

SINGAPORE (Aug 11 / S$)

AUSTRALIA (Aug 11 / AustS)

## NORTH AMERICA

CANADA

TORONTO (Aug 11 / Can $) 4 pm close

MONTREAL (Aug 11 / Can $) 4 pm close

## AFRICA

SOUTH AFRICA (Aug 11 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Thursday, August 11, 1994

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Nippon Steel | 13.1m | 372 | +2 | Nippon Yusen | 3.4m | 666 | +5 |
| NKK Corp | 6.9m | 282 | -3 | Sumitomo Metal | 3.3m | 324 | +1 |
| Kawasaki Steel | 6.4m | 416 | -2 | Mitsubishi Kasei | 3.1m | 548 | +1 |
| Furukawa Elec | 5.3m | 710 | +5 | Fujitsu | 3.0m | 1080 | |
| Teijin | 3.8m | 601 | +9 | Mitsubishi Heavy | 2.9m | 803 | -7 |

## INDICES

## US INDICES

■ RATIOS

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

■ CAC-40 STOCK INDEX FUTURES (MATIF)

Open interest figures for previous day.

** Sat Aug 6 : Taiwan Weighted Price 6640.32; Korea Comp Ex 932.7. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Aug 11 - 2158.31 -10.20

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

4 pm close August 11

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1994 High | Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 17⅜ | 13⅜ | AAR | 0.48 | 3.3 | 483 | 415 | 14⅝ | 14½ | 14½ | |
| 16⅞ | 12⅝ | A L Labs A | 0.18 | 1.3 | 31 | 112 | 13¾ | 13½ | 13⅝ | +⅛ |
| 75¼ | 57⅝ | AMP x | 1.68 | 2.3 | 25 | 1834 | 74⅝ | 73⅛ | 73⅜ | -1¼ |
| 72¾ | 52⅛ | AMR | | | 99 | 2534 | 57½ | 56⅝ | 56¾ | -¾ |
| 5 | 3⅛ | ARX | | | 13 | 13 | 4 | 3⅞ | 3⅞ | |
| 56⅛ | 38⅝ | ASA | 2.00 | 4.3 | 30 | 288 | 46⅛ | 45¾ | 46⅛ | +¼ |
| 31⅜ | 25⅜ | AbbtL | 0.76 | 2.7 | 16 | 11653 | 28¾ | 28 | 28⅞ | -⅛ |
| 13¾ | 11⅜ | AbtBt Pr | 0.50 | 3.8 | 9 | 38 | 13½ | 13¼ | 13¼ | -¼ |
| 23⅝ | 17¾ | ABM Ind | 0.52 | 2.4 | | 21 | 22 | 21¾ | 21⅞ | -⅛ |
| 14⅜ | 11⅛ | Acptncele | | | 25 | 76 | 14¼ | 14 | 14 | |
| 31 | 22¾ | ACE Ltd | 0.44 | 1.9 | 3 | 79 | 23⅝ | 23 | 23⅛ | -¼ |
| 12½ | 10⅛ | ACM Gvt In x | 1.09 | 10.3 | | 283 | 10⅝ | 10½ | 10⅝ | |
| 10⅛ | 7⅞ | ACM GvOpp x | 0.80 | 9.6 | | 30 | 8¼ | 8 | 8¼ | +⅛ |
| 10⅝ | 7¾ | ACM Gvt Sp x | 0.96 | 12.6 | | 464 | 7⅞ | d7⅝ | 7⅝ | -¼ |
| 12 | 9 | ACM Gvt Se x | 1.08 | 12.2 | | 592 | 9⅛ | d9 | 9 | |
| 11¾ | 8⅜ | ACM Man x | 1.08 | 12.9 | | 423 | 8⅝ | d8⅜ | 8⅜ | -¼ |
| 9¼ | 8 | ACM Managd x | 0.72 | 9.0 | | 90 | 8⅛ | d8 | 8 | -⅛ |
| 15½ | 8¾ | AcmeClv x | 0.44 | 3.9 | 14 | 10 | 11½ | 11⅜ | 11⅜ | |
| 9⅞ | 6½ | Acme Elect | | | 7 | 45 | 9¼ | 8¾ | 8¾ | -¼ |
| 28¾ | 23 | Acordia | 0.60 | 2.3 | 12 | 7 | 25⅝ | 25⅝ | 25⅝ | +⅛ |
| 10½ | 5¾ | Actava | 0.36 | 3.4 | 3 | 472 | u10⅝ | 10⅜ | 10½ | |
| 15⅝ | 11¼ | Acuson | | | 95 | 234 | 12⅝ | 12¼ | 12⅜ | -⅛ |
| 18⅞ | 16½ | Adams Expr | 0.48 | 2.8 | 0 | 49 | 17⅜ | 17¼ | 17¼ | -⅛ |
| 64 | 48½ | Ad Micro | 3.00 | 5.2 | | 33 | 58¼ | 57⅞ | 58⅛ | -¼ |



Continued on next page

## NYSE COMPOSITE PRICES

4 pm close August 11

Continued from previous page

| 25⅝ | 20⅝ | Zurich Nat | 1.00 | 4.2 | 8 | 25 | 24 | 23⅞ | 24 | |
|---|---|---|---|---|---|---|---|---|---|---|
| 7⅞ | 6⅝ | Zenix Inc | 0.83 | 11.6 | | 55 | 7¼ | 7⅛ | 7⅛ | -⅛ |
| 16⅛ | 11¾ | Zero x | 0.40 | 3.1 | 16 | 138 | 13 | 12⅞ | 13 | |
| 29¾ | 17⅜ | Zurn Ind | 0.88 | 5.1 | 15 | 689 | 17⅝ | d17¼ | 17⅜ | -¼ |
| 13⅞ | 11⅞ | Zweig Fund | 1.08 | 9.1 | | 200 | 12 | d11⅞ | 11⅞ | |
| 10¾ | 8¾ | Zweig Totl x | 0.84 | 9.6 | | 788 | 8⅞ | d8¾ | 8¾ | |

*Price data supplied by Telekurs*

Yearly highs and lows for NYSE reflect the period from Jan 1 1994. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

## AMEX COMPOSITE PRICES

4 pm close August 11

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| Oilgear | 0.24 | 483 | 273 | 32⅞ | 32¼ | 32¼ | -½ |
| Pegasus G | 0.40 | 9 | 904 | 13⅞ | 13⅝ | 13⅞ | +⅛ |

## NASDAQ NATIONAL MARKET

4 pm close August 11

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

AMERICA

# Sell-off in bond market fells Dow

## Wall Street

A sell-off in the bond market, fuelled by rising expectations of an imminent interest rate increase, left US share prices lower across the board yesterday morning, *writes Patrick Harverson in New York.*

By 1 pm, the Dow Jones Industrial Average was down 14.24 at 3,752.52. The more broadly based Standard & Poor's 500 was also lower at the halfway mark, off 1.60 at 458.70, while the American Stock Exchange composite slipped 0.41 to 443.56 and the Nasdaq composite eased 0.03 to 728.23. NYSE volume was 169m shares by 1 pm.

Although prices opened marginally higher, the market struggled to hold on to its gains as Treasury prices slipped steadily lower, pushing long-term interest rates, as measured by the yield on the 30-year government bond, higher. The decline in bond prices was sparked by a series of economic releases which were not overly bearish, but which were worrying enough to convince more investors that the Federal Reserve would soon sanction another interest rate increase to slow down the economy.

The news that led to the sell-off in the bond market, where the 30-year bond fell more than half a point and its yield rose to 7.634 per cent, was an upward revision in June retail sales growth, from an originally estimated 0.6 per cent to 0.8 per cent. Analysts said that the robust growth in retail sales, combined with recent strong jobs growth, made it more likely that the Fed would tighten monetary policy, probably after next week's meeting of the Federal Open Market Committee.

The day's other news – a 0.5 per cent rise in July producer prices and a 0.1 per cent decline in July retail sales – had less of an impact. The bigger than expected rise in producer prices was ignored because the gain was attributable almost entirely to higher petrol and coffee prices.

Gap Stores jumped $2⅝ to $39½ in volume of 1.7m shares after announcing second quarter earnings per share of 30 cents, up from 20 cents last year and above forecasts.

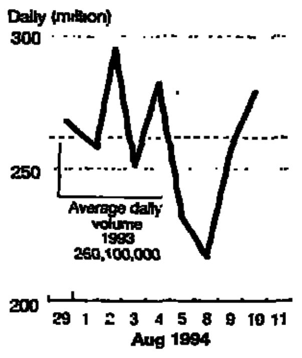
US Bioscience rose $⅝ to $6½ after the company's Hexalen drug, which is used in the treatment of ovarian cancer, was cleared by regulators for marketing in Canada.

On the Nasdaq market, technology stocks were in demand once again: Microsoft rose $1 1/16 to $55 9/16 in heavy trading, Intel climbed $½ to $60¼, and Lotus Development firmed $⅝ to $41.

Neutrogena jumped $5 to $26½ after the personal care products company said that it was in talks with a larger company that could lead to a takeover of Neutrogena.

Comcast Communications rose $¼ to $16⅞ after the cable television group reported a narrowing in its second quarter loss to $12.8m, from $17m a year ago.

**NYSE volume**




## Canada

Toronto stocks continued to decline at midday, weighed down by interest rate fears following the US inflation data.

Losses in mining, gold, consumer products and financial services outweighed gains in the transportation sector.

The TSE 300 composite index was down 25.39 to 4,179.69 in volume of 26.17m shares valued at C$317.7m.

Declining stocks outpaced advances by 298 to 221, with 300 issues unchanged.

The transportation index jumped 112.93, or 2.48 per cent, to 4,672.11. Laidlaw class "B" shares advanced C$⅜ to C$10⅝ in brisk dealings.

The industrial products sector slipped 19.29, or 0.71 per cent, to 2,706.96.

Dylex class "A" were up C$0.03 at C$0.72 in volume of 1.08m shares. The clothing retailer said that it had negotiated an additional C$40m in new operating credit lines.

Lac Minerals receded C$⅜ to C$14¼ on 549,000 shares traded after the company's board rejected a new takeover bid from Royal Oak Mines.

## Brazil

Shares fell by 1.2 per cent in moderate midday trade on the São Paulo market, dragged down ahead of the options and futures markets settlements next Monday and Wednesday.

The Bovespa index was off 560 at 44,572 by 1 pm. Turnover was R$232.8m ($259.3m).

# South Africa falls back

Johannesburg saw a correction from recent high levels as investors took profits. However, brokers said the bullish outlook remained intact and that leading shares could test fresh peaks in coming days.

The overall index, down 35 at 5,883, had seen a rise of 4 per cent over the previous week. The industrials index lost 53 points, mostly in the afternoon session, to 6,641, and the gold shares index was off 27 at 2,195 after falling earlier to 2,179.

In spite of yesterday's setback, analysts remarked that the industrials sector remained positive, supported by a recent batch of good corporate results.

Selective buying was seen in a number of key stocks, with Gencor, for instance, rising 10 cents to R12.70, adding to Wednesday's 80-cent gain.

Elsewhere, De Beers lost R1.25 at R119.50, Anglos fell R3.50 to R256.50, JCI dipped 50 cents to R110.50 and Vaal Reefs shed R2 to R408.

Liberty moved ahead R2.50 to R97 after its subsidiary, Transatlantic Holdings, reported a 46 per cent rise in first-half pre-tax profits. Sasol gave up R1 at R31.75, Malbak receded 50 cents to R18.50 and Barlows eased 25 cents to R33.

EUROPE

# Bourses derailed by Swedish interest rate rises

Swedish rate rises derailed bourses after a morning on the upgrade, reminding investors of the next turn in the cycle, *writes Our Markets Staff.*

Merrill Lynch put this in perspective, saying that the first German interest rate rise could well be over a year away, and that the key was the inflation outlook. Sweden devalued in 1992, the broker noted, the export sector boomed, unemployment there has been falling for over a year and wages have begun to rise.

Italy's rate increase came too late to affect bourses. The initial response was that this was another country with one of the biggest budget deficits in Europe, and one of those with the greatest uncertainty about its economic prospects.

**STOCKHOLM** dropped 1.9 per cent after the Riksbank raised its key lending rate by ½ percentage point to 8 per cent, citing fears that the economy was overheating. The Affärsvärlden General index closed 27.30 lower at 1,441.50.

Banks and insurers sustained the worst damage, the sector index shedding 5.4 per cent. Analysts remained negative over the short term, feeling that the market was uncertain even before the rate rise with an election and European Union referendum in prospect, and the largest budget deficit in the OECD.

The ball bearings group SKF dipped SKr5 to SKr148 after announcing first-half profits of SKr543m, against a previous loss of SKr503m. Analysts suggested that, in spite of the good results, many in the market were hoping for a signal of strong growth in the second half, and this was not forthcoming.

**MILAN** had closed by the time the news came out of a 50 basis-point rise in the domestic discount rate, an action, said the central bank, to defend the lira. However, the market had already been buffeted by further political worries and weakness in the bond market.

The Comit index finished 5.35, or 0.8 per cent, down at 669.17.

Brokers remarked of the continuing political unease, that differences between members of the governing coalition, over issues such as cuts to be made in the pension system, had undermined confidence even further.

**COPENHAGEN** lost 2.3 per cent on Sweden's rate rise, the KFX index falling 2.34 to 101.07 in weak trading. Mr Soeren Dalgaard, chief economist at Jyske Bank, said: "The Danish share market has been affected by rate nerves; there is a tendency for foreign investors to lump all the Scandinavian markets into one."

**HELSINKI** fell into the doldrums as the market lost 1.25 per cent on fears of interest rate rises. The Hex general index declined 23.4 to 1,852.7. Within that, the banking and finance sector dropped by 3.1 per cent, but analysts expected the market to bounce back soon.

**FRANKFURT** was a case of what might have been. The Dax index was reported at 2,184.23 in midsession but bund futures dropped sharply towards the end and the key index closed 5.09 lower at 2,155.09 as turnover rose from DM5.5bn to DM7.1bn. Equities saw little reaction to US PPI data in the post-bourse.

There were similar stories at corporate level. The energy and chemicals group Veba rose as high as DM539.50 in the pre-bourse on a 43 per cent increase in half-year net profits, lifting the market as a whole in the process. But it fell by as much as DM10 from that level before closing at DM532, down DM2.20.

Thyssen, the steel and engineering major, managed to sustain its outperformance. A series of buy recommendations, interest after the Hoogovens results in the Netherlands, and some switching out of financials into cyclicals, took the shares up DM4 to DM318.50 on the session. They rose to DM319.40 after hours.

Deutsche Bank plunged late in the session, partly on the financials/cyclicals switch, but more on what traders described as heavy selling pressure from a major US investment house. The shares ended DM17.50 down at DM706.

**ZURICH** closed a percentage point below its best, the SMI index ending 2.6 lower at 2,588.8. SMH provided the outstanding feature of the day, rising SFr30 to SFr824.

Mr Frederick Hasslauer at Bank Sal Oppenheim in Zurich said that SMH had risen by 13 per cent since the beginning of August, mainly on buying from London. He offered two reasons: first, a 1994 price/earnings ratio of 12; and secondly, the prospect of better shareholder information from the watchmaker in future.

**PARIS** was dragged lower by events taking place elsewhere in Europe and fears that this could trigger a round of interest rate rises elsewhere.

The CAC-40 index fell 25.24, or 1.2 per cent, to 2,038.93 in turnover of FFr3.1bn.

Alcatel Alsthom dropped FFr11 to FFr623, adding to Wednesday's similar fall, and announced a rise in first-half sales after the market had closed.

**AMSTERDAM** took a good look at the KLM results and, in spite of the better than expected first-quarter results, was disappointed by the airline's appraisal that it was only "cautiously optimistic" regarding full-year figures.

The shares strengthened to Fl 55.60 when the results were first posted, before investors had time to take a closer look and drive them down to Fl 52.30, the session's low. They ended Fl 1.20 off at Fl 53.60.

The AEX index, upset by the Swedish rates news, slipped 0.81 to 416.81, but was up from the day's low of 413.72, on a day that saw three other major companies reporting.

Philips pleased the market as it trebled second-quarter net profits, far exceeding analysts' expectations – they had been forecasting a doubling in profits. The shares added Fl 1.90 at Fl 57.80 in high volume. The results also helped its subsidiary Polygram, whose own figures had disappointed the market earlier in the week, to a gain of 10 cents at Fl 78.00.

Elsevier, down Fl 2.10 at Fl 171.90, lost ground on profit-taking after posting a good set of figures and announcing a 10-for-one share split and a proposed listing on the NYSE, probably in the form of ADRs.

Royal Dutch, down 80 cents at Fl 195.90, was another to disappoint the market with second-quarter results at the lower end of expectations.

**Written and edited by William Cochrane, John Pitt and Saqib Qureshi**

## FT-SE Actuaries Share Indices

Aug 11 — THE EUROPEAN SERIES

| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1391.86 | 1390.17 | 1389.52 | 1380.44 | 1375.82 | 1374.06 | 1374.16 | 1376.03 |
| FT-SE Eurotrack 200 | 1440.93 | 1439.77 | 1438.65 | 1432.29 | 1425.53 | 1423.47 | 1424.99 | 1425.70 |

| | Aug 10 | Aug 9 | Aug 8 | Aug 5 | Aug 4 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1384.35 | 1393.35 | 1409.19 | 1406.12 | 1409.38 |
| FT-SE Eurotrack 200 | 1432.72 | 1439.28 | 1450.01 | 1446.96 | 1446.61 |

Base 1000 (26/10/90); High/day: 100 - 1391.89; 200 - 1441.13 Low/day: 100 - 1372.53 200 - 1422.24

ASIA PACIFIC

# Pacific Rim mixed as Kuala Lumpur gains 1.7%

## Tokyo

Technical buying and purchases by public fund managers supported share prices, and the Nikkei 225 average posted a moderate gain, *writes Emiko Terazono in Tokyo.*

The index was up 51.11 at 20,821.36 after a day's low of 20,690.24 and high of 20,845.27. Prices firmed in the afternoon on a rise in the futures market, while overseas investors continued to buy chemical and steel shares.

Volume decreased from 271m shares to 249.5m. Traders expected public fund managers to support activity over the next few weeks ahead of this month's public offering of Japan Tobacco and Japan Telecom. The success of the listing of the state-owned tobacco group, in October, is considered crucial in determining the fate of the former Japan National Railway group's plans to go public.

The Topix index of all first section stocks put on 1.02 at 1,662.52 and the Nikkei 300 edged ahead 0.30 to 302.45. Rises outscored falls by 532 to 414, with 203 issues unchanged. In London the ISE/Nikkei 50 index eased 0.08 to 1,349.34.

Steel companies once again led trading on buying by overseas investors and profit-taking by domestic institutions. Nippon Steel, the day's most active issue, rose Y2 to Y372.

Nippon Soda, a chemical company, advanced Y18 to Y457 on reports by the Nikko Research Institute, the research arm of Nikko Securities, which said it would outperform the market due to a rise in pre-tax profits from its restructuring programme.

Takasago International, which makes fragrances for cigarettes, moved ahead Y14 to Y852 on buying linked to the Japan Tobacco's listing.

In spite of selling prompted by Nomura Securities' downgrades of investment ratings, Sony was finally up Y20 at Y6,000 and Matsushita Electric Industrial recouped some of its loss to end Y10 off at Y1,770.

In Osaka, the OSE average added 44.84 at 23,098.36 in volume of 83.6m shares. Small-lot buying supported real estate and machinery stocks, regarded as laggards.

## Roundup

Sentiment was mixed in the region, the two biggest markets, in Hong Kong and Australia, offering the least enthusiasm on the day.

**KUALA LUMPUR** improved 1.7 per cent on increased retail and institutional buying. The composite index gained 18.68 at 1,111.48 as volume swelled from 425m to 528m shares, the largest since late February.

Brokers said sentiment was further boosted by news that Bank Negara would lift the ban on the sale of short-term paper to foreigners from today.

Multi-Purpose Holdings rose 42 cents to M$4.84 in volume of 11m shares on a 48 per cent increase in interim net profits.

**SINGAPORE** was motivated by a good session in Malaysian shares traded over the counter. The Straits Times Industrial index climbed 23.53 to 2,300.03.

**BANGKOK** was lifted by institutional buying of blue chips ahead of today's holiday closure. The SET index rose 18.17 to 1,425.49 in turnover of Bt10.64bn.

Shares in Siam Makro, the cash-and-carry store operator, rose sharply on the first day of trading to close at Bt72, compared with an initial public offering price of Bt50, *writes Victor Mallet in Bangkok.*

Siam Makro, a joint venture between the privately controlled SHV group, of the Netherlands, and the Charoen Pokphand group, of Thailand, is the first Makro company to go public in the 16 countries where the stores have been established.

The Thai company, valued by the market yesterday at Bt15.8bn ($634m), raised nearly Bt2bn by selling 18 per cent of its stock in the initial offering in order to finance rapid expansion.

**MANILA** saw strength in PLDT following a rise of $2¼ in the ADRs on Wall Street overnight, leaving it up 1 per cent on the domestic market at 1,760 pesos. The composite index firmed 32.80 to 2,976.99.

Some analysts forecast that the market would fall back today following a sharp rise over the last two sessions.

**SEOUL** gained ground on hopes that first-half results from manufacturing companies would be better than expected.

The composite index was ahead 8.98 at 939.19, just off a day's high of 940.87. Gainers led losers by 484 to 279.

Korea Mobile and Samsung Electronics went the day's limit up to Won391,000 and Won93,900 respectively, Samsung reporting that its first-half net profits more than quadrupled.

**TAIPEI** lost more than 2 per cent on reports that the central bank might tighten monetary policy in the near future. Sentiment was also unnerved by news that the Securities and Exchange Commission was conducting an inquiry into 10 investment trusts for alleged manipulation of plastics and electronics stocks.

The weighted index gave up 145.99 to 6,692.02, but was off an intraday low of 6,618.14. Turnover came to T$102.7bn.

The electronics sector bore the brunt of the day's losses, with United Microelectronics dropping T$6.50, or 4.3 per cent, to T$146.50.

**HONG KONG** lost impetus as bank shares, particularly HSBC Holdings with its interim results due next Monday, were depressed by the problems reported in the colony by the London-based Standard Chartered.

The Hang Seng index eased 93.54 to 9,524.54, and turnover fell from HK$4.28bn to HK$3.565bn. HSBC finished HK$1.75 down at HK$93.50, its low for the day.

Financials led the sub-indices down with a fall of 1.6 per cent. Among trading houses, Swire Pacific reported a 14 per cent rise in first-half net profits, but brokers said the results were in line with expectations and the stock closed HK$2 lower at HK$59.75.

Meanwhile, the H share index of China-incorporated stocks rose 6.5 to 1,357.49.

**SHANGHAI** offered a similarly ambivalent attitude to investment prospects, its domestic, A share index falling 7.15 per cent as the B shares, designed for foreign consumption but now effectively open to mainland Chinese investors, put on 2 per cent, the index advancing 1.59 to 80.45.

Some brokers said foreign investors were responsible for yesterday's B share gains. Others, just as positively, said mainland Chinese investors were making the running.

**AUSTRALIA** fell as stronger employment figures shook the domestic bond market, the All Ordinaries index losing 13.7 at 2,062.8. Turnover expanded from A$337.8m to A$403.4m.

Broken Hill Proprietary, the steel, mining and oil conglomerate, strengthened in early trading to A$19.70 but closed after the jobs data at A$19.54, down 4 cents.

**WELLINGTON** dropped a percentage point as investors stood back ahead of Saturday's by-election in the South Island seat of Selwyn, which may make or break the government. The NZSE-40 index fell 20.91 to 2,067.19.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. In conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | WEDNESDAY AUGUST 10 1994 | | | | | | | | TUESDAY AUGUST 9 1994 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 52 week High | 52 week Low | Year ago (approx) |
| Australia (68) | 175.97 | -0.8 | 169.37 | 112.52 | 144.04 | 156.04 | -0.5 | 3.49 | 177.33 | 170.81 | 113.44 | 145.85 | 156.87 | 189.15 | 139.24 | 143.65 |
| Austria (17) | 190.71 | 0.5 | 183.56 | 121.94 | 156.11 | 156.12 | 0.2 | 1.02 | 189.71 | 182.73 | 121.36 | 156.03 | 155.85 | 195.41 | 164.64 | 166.70 |
| Belgium (37) | 175.60 | 0.0 | 169.02 | 112.28 | 143.74 | 140.53 | -0.4 | 3.93 | 175.61 | 169.16 | 112.34 | 144.43 | 141.10 | 176.76 | 143.62 | 146.61 |
| Canada (105) | 130.05 | 0.6 | 125.17 | 83.15 | 106.45 | 129.40 | 0.4 | 2.62 | 129.25 | 124.49 | 82.68 | 106.30 | 128.85 | 145.31 | 120.54 | 127.56 |
| Denmark (33) | 267.22 | -0.7 | 257.20 | 170.87 | 218.74 | 225.74 | -1.0 | 1.32 | 268.96 | 259.07 | 172.06 | 221.21 | 227.99 | 275.79 | 211.26 | 211.26 |
| Finland (24) | 163.66 | 0.8 | 157.53 | 104.65 | 133.97 | 178.06 | 0.5 | 0.79 | 162.33 | 156.36 | 103.84 | 133.51 | 177.21 | 164.23 | 104.28 | 109.85 |
| France (97) | 177.21 | 0.0 | 170.56 | 113.31 | 145.06 | 149.96 | -0.5 | 2.93 | 177.23 | 170.71 | 113.37 | 145.76 | 150.71 | 185.37 | 159.13 | 159.14 |
| Germany (58) | 145.49 | 0.4 | 140.04 | 93.03 | 119.09 | 119.09 | -0.1 | 1.74 | 144.94 | 139.61 | 92.72 | 119.21 | 119.21 | 147.24 | 118.21 | 118.80 |
| Hong Kong (56) | 389.72 | 1.9 | 375.10 | 249.19 | 319.02 | 386.54 | 1.9 | 3.13 | 382.40 | 368.34 | 244.62 | 314.51 | 379.28 | 508.56 | 286.76 | 291.38 |
| Ireland (14) | 205.73 | -0.3 | 198.02 | 131.55 | 168.41 | 190.34 | -0.2 | 3.25 | 206.31 | 198.73 | 131.98 | 169.69 | 190.70 | 209.33 | 161.54 | 167.66 |
| Italy (81) | 81.38 | -2.5 | 78.33 | 52.03 | 66.61 | 96.42 | -2.3 | 1.58 | 83.43 | 80.37 | 53.37 | 68.62 | 98.71 | 97.78 | 57.88 | 72.33 |
| Japan (469) | 164.16 | 0.4 | 158.00 | 104.96 | 134.38 | 104.96 | 0.4 | 0.73 | 163.48 | 157.47 | 104.58 | 134.46 | 104.58 | 170.10 | 124.54 | 157.88 |
| Malaysia (98) | 528.40 | 1.5 | 508.59 | 337.87 | 432.54 | 525.16 | 1.6 | 1.56 | 520.62 | 501.48 | 333.04 | 428.20 | 516.73 | 621.63 | 361.95 | 382.12 |
| Mexico (18) | 2198.15 | -0.2 | 2115.70 | 1405.53 | 1799.32 | 8142.53 | -0.2 | 1.64 | 2201.80 | 2120.84 | 1408.46 | 1810.89 | 8157.23 | 2647.08 | 1615.11 | 1643.59 |
| Netherland (27) | 212.69 | 0.3 | 204.72 | 136.00 | 174.11 | 171.76 | -0.1 | 3.32 | 211.95 | 204.16 | 135.59 | 174.33 | 171.97 | 214.54 | 171.96 | 171.98 |
| New Zealand (14) | 70.88 | 0.5 | 68.23 | 45.32 | 58.02 | 62.96 | 1.0 | 3.80 | 70.53 | 67.93 | 45.12 | 58.01 | 62.34 | 77.59 | 56.86 | 57.96 |
| Norway (23) | 208.46 | -0.6 | 200.66 | 133.30 | 170.65 | 194.90 | -1.0 | 1.70 | 209.66 | 201.95 | 134.12 | 172.44 | 196.85 | 211.74 | 163.92 | 163.92 |
| Singapore (44) | 355.18 | -0.3 | 341.86 | 227.11 | 290.75 | 248.58 | -0.2 | 1.71 | 356.17 | 343.08 | 227.85 | 292.95 | 247.11 | 378.92 | 268.82 | 268.82 |
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| Spain (42) | 146.76 | 0.1 | 143.18 | 95.12 | 121.77 | 146.29 | -0.1 | 3.94 | 148.60 | 143.14 | 95.06 | 122.22 | 146.36 | 165.79 | 119.38 | 119.38 |
| Sweden (36) | 221.03 | -0.8 | 212.75 | 141.33 | 180.93 | 254.46 | -1.0 | 1.57 | 222.92 | 214.73 | 142.60 | 183.35 | 256.96 | 231.35 | 175.83 | 183.35 |
| Switzerland (47) | 160.46 | 1.0 | 154.46 | 102.61 | 131.36 | 131.96 | 0.4 | 1.84 | 158.83 | 153.09 | 101.67 | 130.71 | 131.48 | 176.56 | 127.57 | 127.57 |
| United Kingdom (204) | 199.28 | 0.0 | 191.81 | 127.43 | 163.13 | 191.81 | -0.1 | 3.95 | 199.29 | 191.96 | 127.48 | 163.91 | 191.96 | 214.98 | 179.29 | 179.46 |
| USA (519) | 188.16 | 0.5 | 181.10 | 120.31 | 154.02 | 188.16 | 0.5 | 2.87 | 187.16 | 180.28 | 119.73 | 153.93 | 187.16 | 196.04 | 178.95 | 183.86 |
| EUROPE (720) | 173.24 | 0.0 | 166.74 | 110.77 | 141.81 | 156.59 | -0.3 | 2.97 | 173.25 | 166.88 | 110.83 | 142.48 | 157.03 | 176.58 | 148.76 | 148.76 |
| Nordic (116) | 217.08 | -0.5 | 208.93 | 138.80 | 177.69 | 213.11 | -0.8 | 1.39 | 218.21 | 210.19 | 139.59 | 179.47 | 214.72 | 222.03 | 172.02 | 172.02 |
| Pacific Basin (749) | 173.02 | 0.5 | 166.53 | 110.63 | 141.63 | 115.36 | 0.5 | 1.05 | 172.20 | 165.87 | 110.16 | 141.63 | 114.84 | 176.86 | 134.79 | 161.42 |
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